cong rebound

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Investment banking

Is there a future for UK players?

Page 11



Atrocities in Congo The world prefers

not to know

Edward Mortimer, Page 10



Ciby 2000 sale

New owner sought for award-winning films



Property markets

Real estate agents FOR SAL threatened by Net deals

information Technology, Page 20

World Business Newspaper http://www.Ff.com

France told not to expect automatic admission to monetary union

Finnish energy group talks may herald merger

Neste, a partly-privatised Finnish oil and petrochemicals group, and Imatran Voima, the domestic state-owned power utility, are in talks with the Finnish government which could lead to a merger. A tie-up would represent one of Finland's biggest corporate deals, creating a powerful force on the Nordic energy market. The companies would have combined annual sales of FM55.4bn (\$920m) and a market capitalisation of around FM26bn. Page 13

Tory leadership battle nears end: The battle for leadership of the UK's opposition Conservative party moves towards a final ballot tomorrow between former chancellor Kenneth Clarke and William Hague. Supporters of beaten candidate John Redwood were last night deciding which way to vote. Page 8

French crackdown on pornography: French policearrested 345 people in a crackdown on paedophile videos. In a nationwide operation, 2,500 gendarmes searched the homes of 800 people whose names were on the books of a mail-order company in Macon which sold porno-

Steffi Graf^es father will go to jail



Peter Graf (left), father of tennis star Steffi Graf, is to go to jail for evading tax on his daughter's earnings after German prosecutors dropped an appeal

Mr Graf was sentenced to three years and nine months isil in January but was freed pending the appeal. He has already spent 15 months on remand and will

serve another 15 months in prison. Britons bid for Italian club; Vicenza could become the first top Italian football club to fall into foreign hands if a bankruptcy court approves British investment company Stelli-

can's L22bn (£8m) bid for the Italian cup win-

Lockheed unveils Russian rocket deal: Lockheed Martin has ordered 101 rocket engines to be built in Russia for use on its new Atlas rocket. Announcing the \$1bn deal, the US company said it hoped the engines would be selected for the US government's expendable

rocket programme. Other Contracts, Page 4 Barney's to shut Manhattan store: Barney's, the upmarket US department store

group struggling to emerge from bankruptcy. is to close 74-year-old flagship store in downtown n. It will also close three other stores in Dallas and Houston, Texas, and Troy, Michigan. Page 13

israel agrees economic reforms:larael's nrime minister Benjamin Netanyahu has agreed to introduce sweeping reforms aimed at cutting the budget deficit, lifting foreign currency restrictions and speeding up privatisation. The measures, to be phased in next year, will liberal ise foreign currency transactions, allowing institutional investors and Israeli funds to trade abroad as well as unhindered access to foreign currency accounts. Page 5; Editorial Comment Page 11

US cruise line to pay \$500m for rival: Royal Caribbean International, the second biggest US cruise line, agreed to buy Celebrity Cruise Lines, a relative newcomer to the industry, for \$500m in cash and stock.

Refugees' plight deepens: The number of refugees fleeing human rights violations has almost doubled to more than 15m over the past 10 years and their plight is deepening, Amnesty International said. "The international regime that is supposed to protect refugees is in crisis", warned the London-based human rights agency in its annual report. Page 5

Cash for Hadrian's Wall: Hadrian's Wall, one of Britain's most treasured historic monuments, is to get £1.3m (\$2.1m) from the UK's National Lottery to create an 80-mile path along-side the Roman fortification. The wall across the north of England was built by the Roman emperor in the second century AD to provide a barrier against the Scots.

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warn Paris on budget shortfall

EU allies

By Lionel Barber in Amsterdam and David Buchan in Paris

France yesterday came under fresh pressure from its European Union partners over its failure to curb a worse-than-expected public deficit this year. One EU finance minister

warned France should not expect automatic entry to monetary union on political grounds alongside Germany. Spain and Portugal, with better progress on fiscal disci-pline, could be the "southern" balance in the planned mone-tary union, he said.

The French deficit is set to reach between 3.5 per cent and 3.8 per cent of gross domestic product in 1997, according to the finance ministry projections. The 1992 Maastricht treaty sets a deficit target of 3 per cent of GDP in 1997 for countries wishing to enter eco-

The new projections emerged as EU leaders, meeting in Amsterdam, laboured over a new treaty to prepare the Union for enlargement to central and eastern Europe. With Germany in the forefront, other EU countries committed to Emu are pressing the

EU tones down plans....... Page 2 Page 10

leftwing government in Paris

to clarify whether it will order fresh austerity measures to meet the Masstricht criteria. Doubts over France's commitment to Emu have risen since the Socialists swept to a surprise victory in parliamentary elections this month. Yesterday, members of the government sent conflicting signals about policy toward Emu.

Mr Pierre Moscovici,

French president Jacques Chirac (left) and his prime minister Lionel Jospin (right) confer with an aide on the final day of the European heads of government meeting in Amsterdam Picture Poctor

France's European affairs minister, suggested there was covici's comments. Mr Domininothing automatic about the government's move towards the single currency.

"We must assess the state of our public finances (by mid-July], and it will be in the light of this situation that we will decide whether or not to move to the euro." he said.

the government from Mr Mosindustry and finance minister. who has called for Spain and Italy to be included with France and Germany among founding Emu members, said:

"The most important thing is to be approaching 3 per cent." Last week. Paris put on hold French officials distanced approval of the German-

period when the US economy

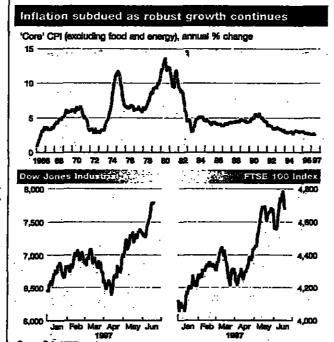
has been expanding at a gener-

inspired stability pact intended to enforce fiscal discipline que Strauss-Kahn, France's among Emu members. EU leaders reached a compromise which left the pact intact, while offering France largely rhetorical promises to promote jobs and growth.

Mr Lionel Jospin, prime

Continued on Page 12

US inflation drops to a 10-year low



By Gerard Baker Washington

US consumer price inflation fell to its lowest annual rate in ally healthy pace. a decade last month - the latest path of robust growth with little inflationary pressure.

inched up by a seasonallyadjusted 0.1 per cent in May, leaving prices 2.2 per cent higher than a year earlier, the Labour Department reported yesterday.

A sharp fall in fuel costs was the main factor behind the weakness in overall price rises. But even excluding the volatile food and energy components, the core index rose by just 0.2 per cent last month, taking price rises to an annual rate of 2.5 per cent.

Unadjusted for seasonal fluctuations, the core rate in May stood at its lowest level in 81

sign the economy is still on a without inflation has been the

title inflationary pressure. stock prices over that time, as in recent months by sharp. The consumer price index investors have concluded the falls in producer prices. Last US has entered an era of stable non-inflationary growth.

Analysts interpreted the figures as strengthening the case for the Federal Reserve, the US central bank, to leave interest rates unchanged at the July 1-2 meeting of its policy-mak-

ing open market committee. "The US continues to enjoy

now been at or below 3 per inflation-less growth," said Mr cent for the last two years, a Bruce Steinberg, chief economist at Merrill Lynch, the New York investment bank. "The data reinforce the likelihood

This combination of growth the Fed will remain on hold." The weakness of consumer main reason for a sharp rise in prices has been underpinned week, the Commerce Department reported producer prices rose by just 0.3 per cent in the year to May, suggesting infla-

tion in the production pipeline

Continued on Page 12 Bonds, Page 22 Currencies, Page 23

Moscow snubs EU mission amid trade allegations

By John Thomhill in Moscow

A diplomatic row erupted in Moscow yesterday when Mr Boris Nemtsov, Russia's first deputy prime minister, attacked the European Union's "discriminatory" trade practices and refused to meet Sir Leon Brittan, the Ell's chief trade negotiator.

Mr Nemtsov said the EU's continuing classification of Russia as a "non-market" economy bracketed it with countries such as Cuba and North Korea. The European Commission had imposed "fierce" anti-dumping procedures against 1-1 categories of goods including seamless pipes, magnesium, and potash fertiliser, he said.

Sir Leon, who was in Moscow to accelerate Russia's accession to the World Trade Organisation, said the allegations were a "nonsense". Antidumping procedures affected only 1.1 per cent of Russia's trade with the EU, he said. The average tariff on Russian goods entering the EU was 4 per cent, compared with the 19 per cent tariff Russia imposed on EU goods.

"I think it is a shame that Mr Nemisov has not had the opportunity of putting his case to me in an honest and manful way - face-to-face rather than engaging in this boycott," Sir Leon said.

EU officials were mystified by Mr Nemtsov's decision to cancel the meeting, especially as Sir Leon was committed to clearing the way for Russia's accession to the WTO.

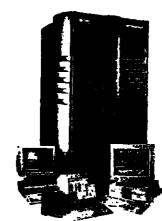
Mr Nemtsov, who was appointed first deputy prime minister in March, is one of Russia's most reformist ministers and has encouraged the development of international business relations.

But he has an ear for the populist mood and the Russian press has recently been awash with stories about the EU's allegedly discriminatory trade regime.

During his two-day visit to Moscow, Sir Leon met several Russian officials, including Mr

Continued on Page 12

Fat.



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Philips and Lucent to link on phone manufacturing

By Alan Cane in London and Richard Waters in New York

Philips Electronics of the Netherlands and Lucent Technologies of the US plan to merge their telephone manufacturing operations in a joint venture with annual revenues

The new company, with more than 12,000 staff, will change the face of competition in global consumer communications products.

The company, Philips Consumer Communications, repre-sents a new threat for leading mobile phone makers - Motorola of the US. Eriesson of Sweden and Nokia of Finland - as well as traditional phone France and Siemens of Germany, and many Asian rivals. one equals three," he said. It will develop, manufacture and market digital and anal-

be sold worldwide under the dent of Lucent's consumer Philips brand name. Some 60 per cent of the ven-

ture will be owned by Philips which will have management control. The two companies said their activities would be complementary. Philips, one of the world's leaders in consumer electronics, will focus on retail marketing while Lucent, formerly the manufacturing arm of AT&T, the largest US telecoms company, will

concentrate on business sales. For the moment they will maintain their product lines, although it is expected that a itself as a global brand, and joint product line will emerge. Mr Michael McTighe, 43, managing director of Philips the US," said Mr Barry Sine. Consumer Communications, an analyst at SBC Warburg. makers such as Alcatel of will head the new company. "This is a case where one and help shore up what has been

call on the technical expertise no recognition of its brand and ogue cellular phones, corded of the Lucent subsidiary Bell little consumer marketing and cordless phones, answer- Labs, the world's best known expertise, "they had to do ing machines, screen phones communications research cen- something with this business, and pagers. Its products will tre. Ms Carly Floring, presi-said Mr Sine.

the board of the new company. The deal will give Philips its first significant presence as a consumer brand in the US. Lucent currently accounts for about a third of the country's cordless and corded telephones, and the same proportion of answering machines. Most of these carry the AT&T brand, though Lucent must phase this out under the terms

"Philips wanted to establish with this acquisition they get the biggest market share in

of its spin-off from AT&T last

The joint venture will also the worst-performing of The venture is expected to Lucent's four businesses. With

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Companies d Dompanies d 11 UK	Fi/SP- Foreign 19 Gald M 14,16-18 Int. Box Menege	A Wild Indices

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New York

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■ No to integrated WEU■ No to top foreign affairs chief ■ Immigration veto stays

EU tones down most ambitious plans

By Emma Tucker and Lionel Barber in Amsterdam



European Union pieced together a most ambitious proposals for intepartial opt-outs to the UK, Ireland

and Denmark. As the summit moved to its close, it appeared the 15 leaders had watered down a French proposal for a high-profile figure to earlier pledge to open accession distribution of population across represent the EU's foreign policy, and had accepted that a national veto should remain on immigration and asylum matters.

The UK, backed by Denmark and the four neutral EU member states,

Western European Union (WEU) defence organisation into the EU. Bulgaria, Romania and Cyprus. The UK and Ireland were to

retain control of their national bor- the size of the European Commisnight, omitting the EU states in a border-free zone. was to be added into the treaty. The basic challenge for the lead-

gration and giving ers at Amsterdam was to adapt the Union's structures - barely changed since the Treaty of Rome 40 years ago - to make the EU fit to expand to as many as 26 mem-

> negotiations with applicant countries from central and eastern bourg, with barely 450,000 people, Europe six months after the conclusion of the intergovernmental conference (IGC).

The applicants include the Czech is that Germany's respective deflected attempts to integrate the Republic, Poland, Hungary, Slo- weight has been diluted.

venia, the Baltic states, Slovakia, Three central issues are at stake:

ders, while other countries were to sion, the extent of majority voting, leaders slowly strengthen co-operation in crime- and the weighting of votes in the fighting and immigration policy. decision-making Council of Minisnew EU treaty last The Schengen accord, linking most ters. The smaller countries, including newcomers Finland and Sweden, had threatened to block the IGC if there was any attempt to take away their EU commissioner. So the focus was on the balance of

power in the Council of Ministers. As the Union has expanded from the original six members to today's 15, the balance of voting weights in The turgency stemmed from an the Council no longer reflects the has two votes, while post-unification Germany, with 80m inhabitants, only has ten votes. The result

33: Delots White Paper for Employment and Growth

This is also true for the other big but the large countries - France, members. In spite of being home to Germany, the UK, Italy and Spain many, Italy and Spain have only 55 per cent of the Council's votes. When the Community had only

six members, the balance of voting weights meant decisions could be taken only if countries representing 70 per cent of the bloc's population supported them. That figure has since fallen to 58.3 per cent, and could fall to 50.8 per cent with 26 members - meaning that the UK, France, Germany and Spain could actually be outvoted by all other EU states voting together.

To re-establish an equilibrium, the Dutch EU presidency tabled a three-step solution. Until the first enlargement, the

status quo will reign. If the first enlargement includes no more than states will keep a commissioner.

nearly 80 per cent of the EU's total - will lose their second. At the population, Britain, France, Ger- same time there will be a reweighting of council votes, so that every member state will get more votes but, as one Dutch official put it, "the bigger member states will get more more votes".

If a second enlargement occurs, or if the first enlargement includes more than five new countries, then the entire system would be subject to a wholesale review.

However, there were signs yesterday that this scenario did not satisfy some of the bigger member states, which wanted population sizes to be taken directly into account in the rebalancing of voting weights. Leaders were also examining proposals for an expansion of qualified majority voting in the council, but partly because of five new countries, all member UK and Spanish unease the extension was to be modest.

ment: FU vs. US (% of ventiones)

EIB cautious Eurojobs: in search of a programme that works Nov Str. Jacques Delical circless first jobs initiative; argues that without faster growth and lower un the consequences would be actions for excisil peace; for the authority of governments and for de the considerates which he extend for excisi pasts, for the authority of governments and for democracy Decisis: Extributes Straigh agrees on extension of the temporary lending tacility. Ecotion made available, including Equiton for highwaysture projects over its latest oblights Equifus for Relatingture projects mg80: Copersing an Sharet. Ells neceives extre Ecutifus facility to create jobe mg80: Street, cottolland with an interest relating 22st franced by EU bu mg60g to 45,000 jobs. At the end of 1996 some 20,000 reported to have been jobs assignment

By Wolfgang Münchau,

Judging by the number of jobs programmes over the past 10 years, the European Union should not have an unemployment crisis. But it

The jobless rate has climbed from 6.4 per cent in 1980 to 10.8 per cent last January; over the same period in the US it has declined from 7.2 per cent to 5.3.

This has happened despite a string of EU programmes focusing mainly on the demand-side of the economy. These included targeted help for regional and transnational infrastructure projects, and specifically for small and medium-sized companies.

Now, the Amsterdam summit has produced yet another job initiative as part of a trade-off against the sta- about the expectations politibility pact for the planned cians have placed in them in single currency. Like many the fight against unemployprogrammes before, it will ment. This goes especially

Mr Hans-Olaf Henkel, president of the Federation of German Industry (BDI), yesterday condemned the European Union's planned jobs chapter as superfluous and said it could be accepted only because it would have no real effect.

Mr Henkel said the jobs chapter, pushed by France, was simply the deal Bonn had to accept to ensure the stability pact was passed.

As the world's largest multilateral lender, the EIB enjoys the highest credit rankings, and can therefore help finance projects in a cost-effective way. There are, however, limits to which "off-balance sheet" financing can be pushed.

Even among bank insiders there is strong scepticism

bank involvement in venture

capital operations.

As one senior official said: "Of course we have a role to play in reducing structural unemployment. But if you count 18m unemployed, there remains a large discrepancy.

centre of the EU's efforts to goal of this combined proreduce the rate of unemployment since the early 1990s. At various summits it has been given a specific remit centre on the European for suggestions about a pos- to step up lending to small Investment Bank, the EU's sible redistribution of the and medium companies job creation. EIB's profits or a stronger (SMEs) and various Euro-

pean infrastructure projects. also known as trans-European networks (TENs). At Edinburgh in 1992 and

Copenhagen the following year, the bank was given a facility of Ecu8bn (\$9bn) to lend to SMEs in combination with an EU-financed interest The EIB has been at the rate rebate of 2 per cent. The gramme was to create 45,000 jobs. By the end of 1996, about 30,000 had been created, one of the EIB's biggest success stories in terms of

Bank officials say this is

typical of the scale on which it can help stimulate the EU jobs markets. They acknowledge, though, that there is systems and labour markets, some scope for extending the EIB's remit beyond that of lender to that of an investor. Under current arrange-

ments the EIB could become more active in the provision of venture capital, in collaboration with the European Investment Fund, set up in 1994 to provide loan guarantees for TENs. The Fund's the European Commission

Critics of the process say that the EU would do better to concentrate on welfare rather than relying on stoking demand in the economy.

Professor Richard Layard, director of the Centre for Economic Performance at the London School of Economics, believes the EU can play a useful role - not in devising grand schemes, but in acting as a "transmission mechanism" that enabled shareholders are the RIB, positive experiences in one or more countries to be transmitted to the rest.

Pedal power puts leaders Blair's line: win friends on a fast track to lunch

European leaders got on their bikes yesterday - or at least most did. Chancellor Helmut Kohl of Germany kept his feet firmly on the ground, and did not look best pleased at the gift to the summit participants. Britain's Mr Tony Blair sped to the front in the 100-metre pre-prandial pedal.

Mr Wim Kok, leading the home team, showed Dutch dexterity giving Mr Hans van den Broek, his European commissioner, a ride on the baggage rack.

As a memento of Amsterdam, the bicycle has a sensitive German-Dutch history since Nazi forces retreating at the end of the Second World War occupation used them as getaway vehicles. Dutch youths even now taunt: "I want my bike back." Mr Kohl was having none of it.

Restaurant watch. For the second successive night, a small contingent of iournalists found themselves having dinner at an eatery patronised by members of the Belgian

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SWEDEN:

government. That nation of gastronomes has briefed itself thoroughly.

On Monday evening it was the turn of Mr Philippe Maystadt, finance minister. at restaurant Het Tuynhuys - an erudite establishment with a Québécois waitress who also chairs human rights conferences.

French President Jacques

Chirac ducked human rights issues in Beijing a month ago to net some \$2bn in contracts for French companies. China had however, just cancelled a Dutch trade visit in retaliation for The Hague's support of a critical United

Nations resolution. While in Beijing, Mr Chirac clearly developed a taste for Chinese cuisine. Across the street from Het Tuynhuys, he was spotted at Sichuan Food prosaic of name but proud owner of a Michelin star.

Victory for Germany was the general verdict on the summit showdown between Bonn and Paris over the rules for enforcing

budgetary discipline. But it was hard to tell from Chancellor Kohl's face

yesterday.

Bicycles notwithstanding, Mr Kohl has been grumpier than usual, thundering about domestic opposition to the euro rather than expounding his vision of a united Germany in a united Europe. A special target of criticism is Mr Edmund Stoiber, the conservative Bavarian leader whose CSU party is part of Mr Kohl's coalition.

Mr Stoiber has been warning Mr Kohl and Mr Theo Waigel, finance minister, they are testing the limits of ordinary Germans' patience with plans to swap the rock-solid D-Mark for an untested euro. Mr Stoiber is insisting on the strictest of entry targets for Emu. So is Mr Gerhard Schroder, the Social Democrat premier of Lower Saxony, making a bid to run against Mr Kohl in the October 1998 elections.

Gordon Cramb, Lionel Barber and Emma Tucker

and influence results

By Robert Peston, Political Editor. in Amsterdam

Mr Tony Blair, the UK prime minister, set himself one overarching challenge for the Amsterdam summit. He wanted to demonstrate that, by taking a more constructive approach to negotiations with fellow European leaders, he could win a better deal for Britain than his predecessor, Mr John Major.

When later today he claims success in an address to the House of Commons. there will be some evidence to support him. First and foremost, he has secured a watertight guarantee in the new European Union treaty that the UK will retain control of its own borders and take whatever measures it sees fit to maintain their

integrity. He helped outflank attempts to set up either the Western European Union or the EU as defence organisations with the potential to rival Nato, although the notion that the EU should eventually acquire a greater role in this area has not

argued successfully for inditive, with majority voting sexual discrimination, applicable only in decisions on implementing already

agreed policies. Mr Blair also had a modest role in stemming the creation of a two-tier Europe, based on an inner and outer core of members integrating at different speeds through the use of the so-called "flex-

ibility principle". On fishing, negotiations with the European Commission have produced progress towards an agreement which would help the UK fishing industry without solving the fundamental problem of encroachment into UK waters of Spanish fishermen

through quota-hopping.
According to UK officials in Amsterdam, the summit would probably have had a different outcome if Mr Major had been participat-

"It is conceivable that Major would have precipitated a full-scale European

been completely thrown out. crisis by refusing to agree to In foreign affairs, the UK anything," said one official. Mr Major set out to block vidual countries to retain EU agreement on a range of the right to veto any initia- fronts from action against

> through to the incorporation into the treaty of a new employment chapter, the application of EU law to arrangements for a borderless Europe, and a raft of institutional changes necessary for the EU's enlargement. "We were saying 'no, no, no' on almost every issue imaginable," said a senior

UK official. Mr Blair, by contrast, set himself a narrowly prescribed set of goals and was prepared to be flexible in areas of less importance to the UK.

"John Major always used such emotive phrases when addressing summits," said a senior Commission official. 'We always felt he was addressing his own Eurosceptic MPs rather than his fellow leaders." By contrast, he added, Mr Blair stated "clearly and simply what his essary attacks on Europe".

EUROPEAN NEWS DIGEST

'Ceasefire' in Corsica

The leading clandestine Corsican nationalist movement yesterday announced a temporary "ceasefire" in the wake of the election of France's new Socialist government. In a break with its tradition of night-time press conferences with armed, hooded militants, the FLNC - the National Front for the Liberation of Corsica - chose an interview in the local press to announce the truce.

The FLNC set none of the preconditions it has demanded in the past, including the release of a growing number of prisoners arrested during the previous government's clampdown this year. That has led to a renewed outburst of explosions for which the FLNC has claimed responsibility, including one on the town hall of Bordeaux, the mainland French city where Mr Alain Juppé, the former prime minister, is mayor. But the arrests have deprived it of many of its militants including several of its supposed leaders.

The Front also raised the possibility of independence for the island as only one of a number of ways in which its demands for greater autonomy for the Corsicans could Andrew Jack, Paris

Romanian miners restive

The Romanian government yesterday cancelled trains and mobilised its riot police to forestall any move by striking miners to move on the capital. Bucharest, where they staged ferocious attacks in 1990 and 1991. Sixteen trains running through the Jiu valley north of Bucharest were cancelled, and six more diverted.

The miners are demanding a 45 per cent pay increase and guaranteed jobs, in the face of government promises to the International Monetary Fund and World Bank to shut down uneconomic state enterprises and slash the budget deficit. The government has offered a 15 per cent pay rise, and negotiations are continuing. The miners' union is reported to be ready to settle for 25 per cent. This would add around 103bn lei (\$14m) to the state budget.

In June 1990 and September 1991, thousands of miners from the Jiu Valley invaded Bucharest and attacked reformist opponents of the then Romanian leader, Mr Ion lliescu, killing seven. The trade union chief Mr Miron Cosma, who led the actions, is in jail facing trial for them Some of the miners currently on strike are demanding his

4 14

EU agrees on 'spy-in-cab'

European Union transport ministers agreed yesterday to force new lorries and coaches registered from July 2000 to carry digital "spies-in-the-cab" to monitor drivers' speed and time spent behind the wheel. But ministers dropped plans to fit the new device in existing vehicles, meaning the new-style tachographs will not penetrate the EU vehicle fleet completely until the end of the next decade.

Before yesterday's meeting, Belgium, Greece, Spain, Ireland, Italy, Portugal and Sweden had blocked that option, mainly on cost grounds. But old vehicles needing replacement tachographs from July 2000 will have to fit digital devices rather than the old waxed disc Reuter, Luxembourg

Russia ex-naval chief accused

Russian military prosecutors have charged the former chief of naval general staff with abusing his position. Admiral Igor Khmelnov is accused of diverting funds meant for naval housing and development of Russia's far eastern naval hase.

He and his relatives were among the recipients, it is Admiral Khmelnov was sacked by President Boris

Yeltsin in April after a case was opened against him. He is the latest senior officer to be the target of a government crackdown on corruption. Mr Yeltsin last month lashed out at corruption in the

armed forces. Prosecutor General Yury Skuratov said that his office was processing 18 cases against generals alone, including a deputy defence minister and the commanders and deputy commanders of the ground forces and

Bosnia settles debt problem

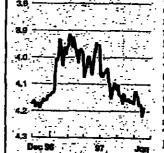
Bosnia has reached an agreement with the World Bank on servicing the its debt after failing to pay an \$8m instalment on time. Mr Caio Koch-Weser, managing director of World Bank operations, said: "We expect the payment almost immediately." However, he gave no

details of how the matter had been resolved. Bosnia inherited a \$2bn share of former Yugoslavia's debt and is currently servicing a consolidated \$880m loan to the World Bank with regular six-month payments. It failed to make the \$8m payment after the country's Serb entity said it could not cover its \$3.8mn share. Mr Haris Silajdzic, Moslem co-chairman of the central

cabinet, indicated on Monday that the federation was ready to lend money to the Serb entity if the international community guaranteed repayment. Reuter, Sarajevo

Krone defence prepared

Norwegian krone Against the O-Mark (NIO per DM)



signalled yesterday it was prepared to resume intervening in foreign exchange markets. reversing a decision five months ago to withdraw from exchange rate management. This followed vain attempts by the bank to hold down the value of its oil-boosted currency through a foreign currency buying spree which cost around NKr20bn (\$2.7bn). The krone rose from: NKr4.24 to the D-Mark to 4.188 in response to the

Norway's central bank

move. The bank said future interventions would be confined to curbing short-term fluctuations in the krone's value, and would be on a limited scale. Foreign exchange market conditions are more benign now than early in the year, when a wave of speculation - driven by Norway's big budget and current account surpluses - propelled the krone sharply upwards.

Mr Leif Eide, central bank executive director, said speculators had found it more difficult than expected to buy and sell krone following the bank's withdrawal from the market. The krone has depreciated 4 per cent against the Ecu since the bank stopped intervening and has fallen 8 per cent in value against the currency since reaching a peak in early February. Greg McIoor, Stockholm

Swiss move to tighten law

Tighter Swiss laws on money laundering moved a step closer when the upper house of parliament approved legislation placing a duty on bankers to report financial transactions they suspect are tied to the illegal drugs trade or other Mafia-style criminal activity. "Up to now there was no obligation to report suspicious transactions. only a right to report," a finance ministry official said. Final passage of the law is expected shortly.

Switzerland outlawed money laundering in 1990, and in 1994 gave bankers the right to breach the country's legendary banking secrecy laws and report suspicious transactions. Under the new law, extended to all areas of the financial sector, bankers who do not report suspicious transactions can face heavy fines. Reuter, Zurich

Pork barrel time for Fianna Fáil

election has plunged the political parties into a hectic bout of courtship ahead of the reconvening of parliament on June 26.

Fianna Fáil party, which emerged as the largest after the election, have had a fairly easy ride agreeing policies with their putative coalition partners, the centre-right Progressive Democrats. But the party faces a more delicate task enlisting the Mr O'Malley, founder of the Progressupport of independents for his nom-

ination as prime minister. Mr Ahern has said he will head a minority government and will not to seek the speaker's job. enter into "horse-trading" with any independent. Fianna Fáil has 77 seats and the PDs just four, so his alliance is three short of a overall

majority in the 166-member Dáil. Of the 10 independents, there are two Greens and a member of Sinn British policemen in Northern Féin, the IRA's political wing. Ireland, which Mr Ahern was quick Fianna Fail should be able to count to condemn. on three who are of "the Fianna Fáil

reland's inconclusive general family." One is a former member going to be "pork barrelling all the who left when he was overlooked by the candidate selection committee. Another is the daughter of a former Fianna Fáil member, and a third is Negotiators for Mr Bertie Ahern's the brother of a former Fianna Fáil minister.

That should suffice. But Fine Gael, the former governing party, injected a new uncertainty this week by approaching Mr Des O'Malley with the offer to support him as speaker. sive Democrats, has long had poor personal relations with Fianna Fail, and friends say he might be tempted

If he does, thus reducing the PD strength by one. Mr Ahern could find himself having to rely on the vote of the Sinn Féin member - doubly awkward in the wake of the murder by the IRA this week of two

A Fianna Fáil member said it was

way", referring to the deals being discussed in backrooms. Mr Harry Blaney, another former Flanna Fáil member and now a hard-

line republican independent from Donegal, has already said he will only give his support if there is a public call from Mr Ahern for British withdrawal from Northern Ireland. Mr Jackie Healy Rae, from Kerry

South, has said he wants potholes in the roads and other local issues sorted out before he will support Mr Abern. Another has said he will be seeking concessions for the so-called deflector groups - the operators of unlicensed television transmissions

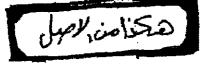
of British television programmes to the west of Ireland. Even if Mr Ahern, as seems likely, wins enough votes to become prime on their toes over the coming minister, the manoeuvres do not bode well for the durability of his

Fianna Fáil's parliamentary vulnerability could be further exposed by the party's choice for the presidential election, which is now set for November after the appointment of the current head of state, Mrs Mary Robinson, as United Nations human rights commissioner.

The party's leading candidate would be Mr David Andrews, a former foreign minister. But party strategists believe if he were to stand Fianna Fail would almost certainly lose the subsequent by-election in his Dun Laoghaire constituency, thus forcing Mr Ahern to seek the support of yet another independent to get legislation through par-

Add to this the prospect of unforeseen early by-elections and all Ireland's parties are likely to be kept

John Murray Brown



Insurer tries

Klaus says would-be European Union members are being discriminated against

Czech premier attacks EU association agreements

By Anthony Robinson and Robert Anderson in London

Mr Vaclay Klaus, the Czech prime minister, yesterday criticised the association agreements between the European Union and aspirant members such as the Czech Republic. He said they were partly to blame for ris ing current account deficits throughout central Europe.

Mr Klaus, whose government was recently forced to devalue the Koruna and introduce two austerity packages in as many months to correct a rising current account deficit, said the agreements meant to be in favour of the former communist states actually discrimi-nated against them. He was speaking at the London school of Economics before delivering the annual Hayek

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Memorial lecture "We need to look beneath the surface at indicators such as the size of subsidies and various export promotion schemes and non-tariff barriers in the EU countries and we see that, in reality, asymmetry favours existing members." he said.

"The empirical data,

which shows large and growing visible trade deficits goods, the DMG study said. with the EU, confirms this." A recent study by Deutsche Morgan Grenfell (DMG)

Mr Klaus, who as the finance minister of Czechoslovakia prepared three fedestimated the Czech Repuberal budgets before masterlic ran up a \$4.6bn trade defiminding the "velvet divorce" cit - equivalent to 8.6 per with Slovakia in January cent of GDP - last year and 1993, also suggested EU a \$1.8bn deficit over the first countries now preparing for

Rising current account deficits in central European countries are partly blamed on EU

before the April and May emergency packages which included devaluation of the koruna, cuts in government spending and a public sector wage freeze. Most of the underlying trade deficit was with EU countries.

For eastern Europe as a whole, current account deficits have widened from an average 2.4 per cent of GDP in 1995 to a forecast 5.3 per cent in 1997 as rising growth and investment have sucked in capital equipment and rising real incomes have generated higher demand for cars

four months. This was European monetary union Czechoslovak experience of running a monetary union under less than optimal con-

> "Only I know how difficult it was in the final year to prepare a common budget with one currency when there were such divergent political and economic policies, at both the macro and micro level between the two parts of the federation," he

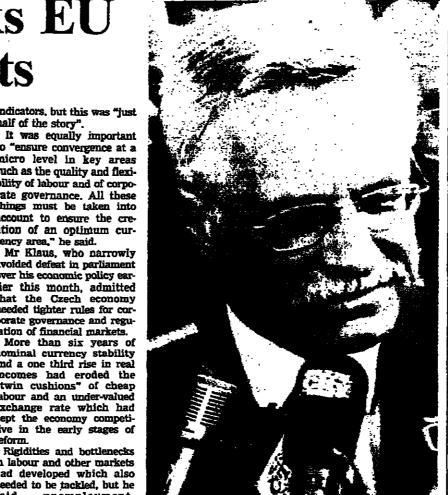
and other western consumer indicators, but this was "just half of the story

It was equally important to "ensure convergence at a micro level in key areas such as the quality and flexibility of labour and of corporate governance. All these account to ensure the creation of an optimum cur-

Mr Klaus, who narrowly avoided defeat in parliament over his economic policy earlier this month, admitted that the Czech economy needed tighter rules for corporate governance and regu-lation of financial markets. More than six years of

nominal currency stability and a one third rise in real incomes had eroded the twin cushions" of cheap labour and an under-valued exchange rate which had kept the economy competitive in the early stages of

in labour and other markets needed to be tackled, but he unemployment. said Mr Klaus said the Maas- although still only 3.8 per tricht convergence criteria cent, had risen by 50 per were all macro-economic cent over the last 12 months.



to head off Israel boycott By Norma Cohen in London because its assets in eastern

and Avi Machiis in Jerusalem

ه کامن برصل

Assicurazioni Generali, the Italian insurance giant, is seeking to head off a boycott of its newly acquired Israeli subsidiary by proposing a compensation fund to make payments to heirs of its former policyholders murdered in the Holocaust.

Generali, which bought out the remainder of Migdal, the Israeli state-owned insurer, faced boycott calls from key Knesset members after it appeared to renege on promises to open its files to Yad Vashem, the Israeli Holocaust memorial institute, and to establish a compensation fund.

However, Generali's gesture of a \$12m compensation fund is considered too small by some Knesset members. who yesterday were press-ing Generali for more money. Also, the deal, which was to have been announced yesterday, requires the Knesset to agree that Generali never benefited from the Holocaust and has no legal obligation to pay proceeds of policies of Holocaust victims

who lived in eastern Europe. Generali, based in Trieste, was the market leader in the eastern European insurance market before the second world war. Its history as a the grounds that Turkey and Jewish-owned company gave it an even stronger market share among eastern European Jews. most of whom were murdered during the

Europe were nationalised by Communist governments after the war, it has no legal obligation to pay policies. It has also insisted that it never benefited from the

However, documents obtained by the Financial Times show that at least one country, Czechoslovakia. paid the Italian government a substantial sum to settle claims of "Italian assets, rights and interests".

The agreement, signed in 1966, applies to assets which were owned directly or indirectly, totally or in part. by persons having the Italian citizenship or by companies" based in Italy. In addi-tion to a 1.2.6bn payment to Italy, the Czech government turned over shares in two Generali subsidiaries which it had in its possession.

Generali acknowledged it had received some payments from east European governments but said these were not in respect of assets which backed insurance pol-

Evidence has also emerged that Generali insured Nazirun concentration camps. Italian press reports, citing archives, say that on 26 October 1942, Generali agreed to participate in a pool which provided 3m zlotys of insurance for lodging and workers' barracks at a camp in Cracow, Poland.

Several months later, it provided 10 per cent of the 6m zlotys of insurance on an expansion of the camp.

Turks in new move to bar Cyprus from EU Cyprus has previously

its campaign to stop Cyprus joining the European Union, on the very day the conclusion of the EU's 15-month inter-governmental conference in Amsterdam cleared

Two years ago, the EU committed itself to begin membership talks with Cyprus six months after the end of the IGC. Greece secured this concession as the price of its agreement to a customs union between the EU and Turkey, which came into force last year. Even so, Turkey at the time served notice of its objections, arguing that the

Greek Cypriot government

Ankara has enlisted the aid of leading British lawyer to rule out membership on legal grounds, writes Edward Mortimer

divided island into the EU without the consent of the Turkish Cypriots. Turkey even threatened to annex the northern two-fifths of the island, occupied by Turkish troops since 1974, if the Union admitted a Cyprus government which represented only one community.

Since then, Greece has threatened to veto EU enlargement into central and eastern Europe unless Cyprus is admitted at the the Treaty of Guarantee said to have told both the promoting, directly or indisame time. Both threats are signed by the UK, Greece, taken seriously by the US, Turkey and Cyprus at the Turkish Cypriot leader, Mr with any other state".

President Bill Clinton's recent appointment of Mr Richard Holbrooke, negotiator of the Dayton Accords on Bosnia, as his special emissary for Cyprus.

Turkey's latest move has been to obtain a formal legal opinion from a leading British lawyer, Professor Mau- start early next year. rice Mendelson QC, who con-

dence in 1960. Ankara yesterday handed

this opinion to the British government, reminding it of its obligations both as a guarantor power and as the country which will hold the EU presidency when enlargement negotiations are due to

The UK has given no offiaccession to the Union Hannay, the British envoy would be incompatible with on the Cyprus dispute, is

had no right to take the and form the background to time of the island's indepen- Rauf Denktash, that legal advice received by Britain differs from that of Prof Prof Mendelson contends

that, in the Treaty of Guarantee, Cyprus undertook "not to participate, in whole or in part, in any political or economic union with any state whatsoever". The guarantor states (Britain, Greece cludes that Cyprus's cial reaction, but Sir David and Turkey) undertook "to prohibit, so far as concerns them, any activity aimed at

1960 agreements and constitution, and that the ban on union with other states was not intended to apply in the case of Cyprus's join ing an international organi Prof Mendelson, however.

rejected this argument on

the Turkish Cypriots have

themselves breached the

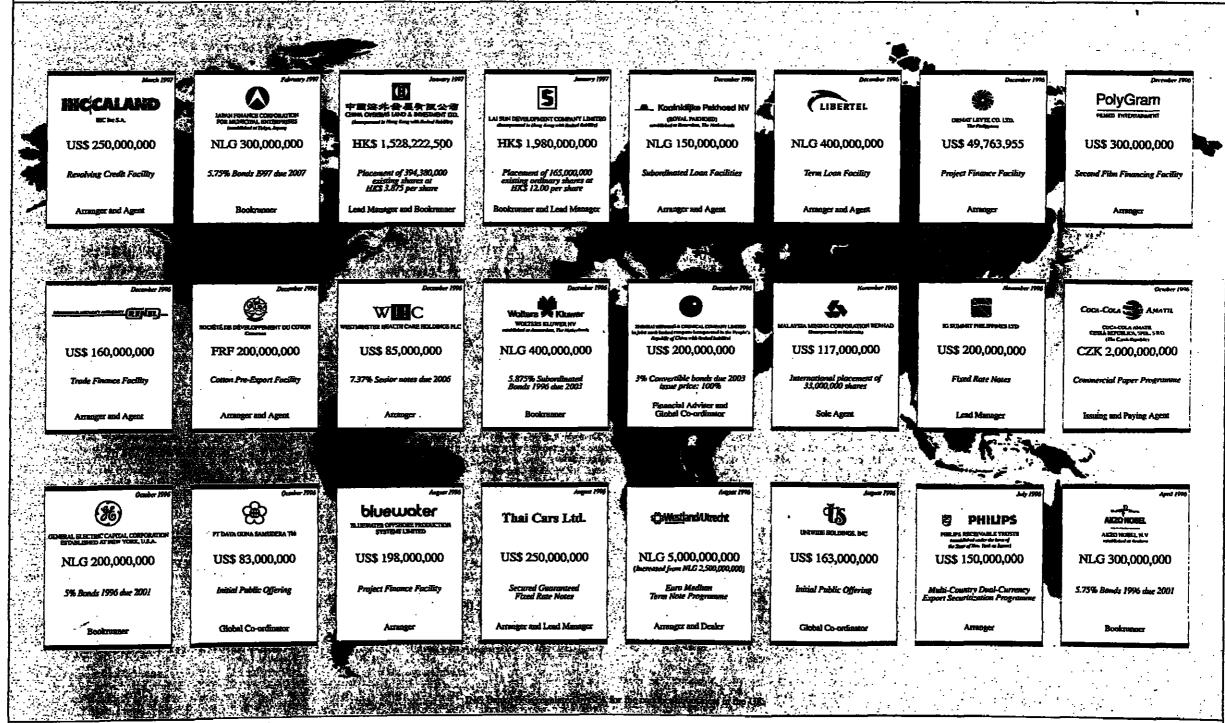
quotes the negotiating record of 1959 to show that at that time the British, Greek and Turkish foreign ministers all understood the agreement as banning Cyprus's membership even of a free trade association. unless both Greece and Turkey were also members.

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Moscow launches big oil sell-off Last month, Mr Alfred likely to be barred from the bais, the first deputy prime it may face competition from delay to the proposed sale of Kokh, privatisation minister, auctions although they may minister, vowed recently Tainoft the desired to the proposed sale of

By John Thomhill

The Russian government is to raise Rbs15,000bn this aiming to raise Rbs5,000bn year from sales of state (\$565m) by selling big stakes assets against the in six state-owned oil compa- Rbs6.520bn target originally in six state-owned oil companies in a series of auctions pencilled into the 1997 bud-

starting tomorrow. The share sales will give renewed impetus to the gov- suggested the most likely ernment's privatisation programme, which has been dogged by controversy over sale were other oil groups recent months. They will and the so-called financial nue for the government, helping it pay off its massive around the country's biggest

places big

order for

regional

aircraft

By Bernard Simon in

Toronto and Jonathan

Wheatlev in São Paulo

American Eagle, the

regional airline unit of

American Airlines, yester-

42 jets from Embraer of Bra-

zil and a further 25 from

Bombardier of Canada. The

orders, worth \$700m each,

were announced at the Paris

Air Show and illustrated the

strength of the market for

smaller 50- to 70-seater jets.

The Bombardier deal

includes 25 orders and 25

options for the planned 70-seat version of Bombardier's

Canadair regional iet (CRJ).

Deliveries are due to start in

2001. The aircraft, known as

the Series 700, is a stretched

version of the existing 50-

seat CRJ. The American

Eagle order comes on the

heels of orders and options

for 75 CRJs placed earlier this month by ComAir, a

Delta Air Lines affiliate.

nomic with larger jets.

The contract with Embraer

is for an initial 42 EMB-145

50-seat jets with an option

for an additional 25. The

American Eagle order is

worth about \$670m at today's prices, rising to \$1bn

if all_options are exercised.

is limited to operating 67

iets under a contract with

the Allied Pilots Associa-

tion. American's pilots did

not want American Eagle to

start flying jets because

they feared it would cost

jobs among pilots at the par-

Embraer, which was pri-

to begin delivery next Feb-

ruary and complete the ini-

deliveries between the first

The deal marks the con-

solidation of Embraer's

drive for competitiveness

following privatisation -

staff numbers have fallen to 3,600 from 12,500 in 1990 -

and is expected to return it

to the black in 1997 after

seven consecutive years of

The deal follows a con-

tract signed last year to sup-

ply 25 EMB-145s to Conti-

nental Express and brings

its total firm orders to 107

iets, worth about \$1.6bn,

with options for a further

219 worth an additional

third quarter of 2003.

ent airline.

losses

American Eagle stressed it

said the government planned

Oil industry analysts buyers of the government stakes in oil companies for which have coalesced

be able to buy shares in the secondary market in future. Government critics have alleged that recent privatisa-

tions have given insider banks control of some of Russia's most valuable companies at a fraction of their real worth. Even some government

ministers have conceded that the shares-for-loans privatisations of 1995 were congorod market. also raise much-needed reve- industrial groups (Figs), ducted in a poor manner enabling a handful of well connected banks to acquire huge packets of assets for a est in acquiring the 40 per

privatisations would be conducted to the highest stan-

The most attractive of the six oil companies on the auc- and Komitek, which are all tion block would appear to be Norsi-Oil, one of the coun-refineries. The government try's biggest refineries, which has a strong grip on the lucrative Nizhny Nov-

Lukoil, Russia's biggest privatised oil group, has already expressed an inter- ment, the state property song. But Mr Anatoly Chu-cent stake on offer although

that the forthcoming wave of company in the central Russian republic of Tatarstan.

The other oil companies dards and subject to legal for sale include Vostsibneftegaz, Eastern oil company, Sibur, Tynmen oll company, middle-ranking producers or will sell up to 51 per cent of these companies although the results of the auctions may not be known before

> In a separate announcecommittee revealed there

azinvest, the telecommunic tions holding company.

The government has set a minimum price of \$1.2bn for this shareholding. Foreign companies will be allowed to participate in the auction although they may face difficulties in complying with some of its technical provi-

• The government will launch hankruptcy proceedings against the Nizhnevartovskneftegaz oil and gas company. Mr Chubais said yesterday, AFX reports from

American US intolerance and distrust put a brake on trade treaty's success

Growing links between Tijuana and San Diego are frustrated by cultural differences. Christopher Parkes tells a tale of two cities

NAFTA day announced it would buy

social interests. and separated by cultural dif-

ferences, San Diego and Tijuana make North American Free Trade merce.

Agreement (Nafta). Yet, while people and goods move in increasing volumes over the San Ysidro border, the political will to tighten the cities' links is governed by the ups and downs of relations between Washington and Mexico City. Ms Susan Golding, mayor

of San Diego, has emerged as a rare consistent voice. She has urged closer political collaboration, and has drawn

Bombardier has notched This is the third article in up 284 firm orders and 223 a series analysing the options for the CRJ since effects of Nafta in the production began in 1992. run-up to the Clinton The aircraft has enabled airlines, mostly in North Ameradministration's review ica and Europe, to open of the trade pact, to be routes that would be unecopresented to Congress on July 1. The first two Its main competitor, the Brazilian-built Embraer 145, articles appeared on has a slightly narrower fuse-June 6 and June 11.

> criticism from Sacramento, California's state capital, for the event of natural or other

She sees the political process being driven by the "natural" increase in economic integration and the increasingly Hispanic nature of the southern Californian of the total. population. But, she adds, the pace of change at the political level will be dictated by the differences between the neighbours' first and third world cul-

By any conventional defivatised in 1994, is expected nition, the San Diego-Tiluana area is a single metropolitan area the ninth tial order by November largest in the Nafta region, according to San Diego Dialogue, an independent thinkquarter of 2001 and the

> Although divided by an international frontier, the communities mingle unhindered. About 30,000 people, some 10 per cent of Tijuana's

Bound by resident workforce, work in common eco- San Diego, and 10,000 San nomic and Diego workers commute daily to Mexico.

A quarter of all border crossings are primarily for social visits, while Mexicans account for 10 per cent of retail revenues in San Diego shops, according to Mr Kelly uneasy neighbours. Both Cunningham, research man-have been enriched by the ager at the Greater San ager at the Greater San 1993 implementation of the Diego Chamber of Com-

> There is a detectable frustration among many local closer political links are logical and even essential to deal with the region's infrastructural deficiencies, they are not necessarily mevita-

"If you look at the alternatives for the region, [collaboration] would be an intelligent decision to make," says Ms Millicent Cox, San Diego Dialogue's senior economist. "The border is not a dead

end," says Mr Conningham, and complains that political resistance to accepting it as a profitable avenue for exploration drains the region's economic potential.

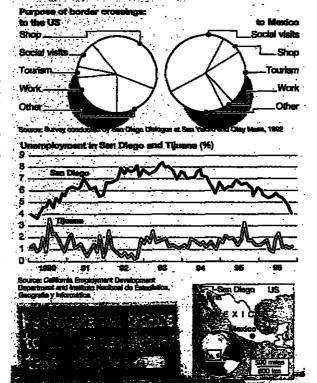
Much of the obduracy, says Ms Cox, is rooted in a US "we-have-the-resourcesand-they-don't" attitude, and mistrust of foreign cultures which extends far beyond pleasant suburbs.

a mutual aid agreement in ington DC, the border region failed to win federal backing Ms Cox has divined, illegal to Los Angeles. northbound border crossings in San Diego County represent a negligible proportion

> Her latest data show 98.8 per cent of the estimated 4.7m travelling north last and Vietnamese conflicts, April were admitted legally, and during the years of the "It took me four years to get these findings accepted." she

She sees the need to change local and national US training grounds to the attitudes towards Mexicans north and from the US by and their culture as one of mountains and desert to the the region's biggest chal- east, San Diego evolved as lenges, if only because a rep- peaceful, prosperous utation for intolerance will deter investment by interna- dends shrank in the early water harbour reserved tional companies.

But San Diego has other come if it is to draw closer to 8.4 per cent in 1993. its neighbour and exploit



San Diego and Tijuana: unessy neighbours

more fully the potential quent recovery is solidly offered by Nafta. They, too, documented. Unemployment are mostly the US side of the is now down to 4.3 per cent the confines of San Diego's gins in the historical politi- has risen 21 per cent in the cal failures of the early part intervening three years. In Sacramento and Wash- of the century, when the city is often typified as a swarm- for its attempts to build a grants and criminals. Yet, as railway - honours which fell

> As compensation, the region won a place as the main Pacific coast staging post for the military, and prospered through the second world war, the Korean Reagan military build-up. Cut off from the rest of

California by the vast Camp Pendeleton marine base and enclave. But the war divi-

have grown 66 per cent, per cent of everything the city exports goes south. This makes Mexico more important for the local economy than the next 10 most important foreign markets compausq.

Yet the potential for even more ambitious growth is being stifled by San Diego's infrastructural legacy, resistance in rival cities such as Los Angeles, and its own innate conservatism.

More than 90 per cent of trade volume is carried on trucks through overloaded road links. Only 6 per cent travels by ship from a deep-90s. Base closures and the mainly for the navy and effects of national recession cruise ships. The airport, practical obstacles to over- drove unemployment up to spanning less than 500 acres, and hemmed in by housing,

tional flights.

"Everything that comes through San Diego, including tourists, has to come through Los Angeles first," says Mr Cunningham.

Efforts to ease road congestion, and open up the port for trade from inland states, include a campaign for an estimated \$120m-plus to restore the decrepit San Diego & Arizona Eastern Railway beyond its present terminal in Tijuana. But the project is hobbled by the fact that part of the track runs through Mexico.

This has roused opposition among certain southern Californian representatives in Washington, where their influence is inflated by antiimmigration, anti-drug and xenophobic tendencies.

Such forces also played a role in sidelining one of the most ambitious collaborative ventures yet attempted: a cross-border international airport. The plan to build a runway complex with terminals on both sides of the border stumbled over a clash over who should erect and man the control tower.

"If the decision lav between two first world countries, or between allies who had never been to war together, it would not have mattered so much," says Mayor Golding.

She and other local leaders expect such negative elements in the relationship eventually to erode as ecoborder. Some have their ori- and gross regional product nomic and racial integration continue. By 2020 the distinctions may have become San Diego shipments of so blurred as to be inconsegoods and services to Mexico quential. The formal frontier between the two communiing ground for illegal immi- trading seaport and get the according to the chamber of ties remains firmly in place, commerce, and more than 40 but the socio-economic bor der is shifting southwards.

Taking relative income distribution as a guide, Ms Cox says San Diego/Tijuana is the only cross-border area where the middle class residents outnumber low income earners on both sides.

About half the population of both cities can now be classified as middle class. with 30 per cent ranked as low-income earners. Young Tijuana and San Diego professionals already have almost identical purchasing

"The two cities are really very similar," she says. Both are geographically remote from the rest of their respective countries. "Tijuana is not really part of Mexico and San Diego is not really a

UK bid for top Italian soccer club

By Patrick Harverson in London

Vicenza could become the to fall into foreign hands if a approves a British investment company's L22bn (\$13m) bid for the Italian cup

Stellican, a small Londonbased concern which specialises in acquiring troubled companies but with no previous involvement in football, has outbid two Italian consortia for the right to buy Vicenza from a group of local businessmen.

The club, which is profitable in its own right, was put up up for sale when its owners' assets were placed in receivership following the collapse of their textile

The two other bidders have offered L18.5bn and L16bn for Vicenza, which finished eighth in the top Serie A division last season and recently won the Italian cup. Although Stellican has outbid its rivals, Mr Stephen Julius, its managing director, is worried that a foreign takeover could prove unpopular with fans and

might affect the Milan court's decision. "We put in sealed bids yesterday and we are clearly ahead of everyone else. But at this point what is of great concern to us is that people might see this as the English versus the local Vicenzini," he said yesterday.

Mr Julius said Stellican, which has close ties to the big US investment group are here to develop the club Apollo, planned substantial and nationality has nothing in vestment in Vicenza. "We to do with it."

would like to redevelop the stadium, invest in new players and develop sponsorship and merchandising. We will first top Italian football club start building an entertainment group around Vicenza. bankruptcy court on Friday and it will all be for the benefft of the club."

Traditionally one of Italy's smaller clubs. Vicenza in recent years has climbed from the third division to the top flight. It has also kept a tight rein on its finances by controlling its wage costs and developing its own young players.

"It's a very interesting club with a good management team that has done very well. It is one of few clubs in Italy that is profitable," said Mr Julius.

Last season Vicenza, which has no debts, made a profit of L3.3bn (\$1.9m) on turnover of L33.7bn (\$19.7m). The stadium, which is owned by the local municipality, holds 22,000 and attendances average 17,000 a

Stellican's bid is backed by a group of UK investors and include people with experience of the football business in England, said Mr Julius. "Within our group are people who know football extremely well."

However, he warned that Stellican was not interested in becoming involved in a bidding war for Vicenza. "The judge's main responsibility is to maximise the offer on behalf of the creditors. But we are the only professional investor group to have made a bid. The rest are local entrepreneurs. We

WORLD TRADE NEWS DIGEST

Airline denies Airbus deal

Mr Stephen Wolf, chairman of US Airways, said yesterday that his company had not made Airbus Industrie its exclusive supplier and that he was considering buying

US Airways last November placed an order for up to 400 -aisle Airbus aircraft. Defenders of Boeing h claimed the order makes Airbus US Airways' sole supplier, and that Boeing is entitled to strike similar

Boeing has been appointed exclusive supplier by three US carriers: American, Delta and Continental Airlines. Airbus says the deals are illegal.

Mr Wolf said the Airbus order would go ahead only if he was able to reach cost-cutting agreements with his unions. If agreement was reached, US Airways would buy at least 12 wide-bodied aircraft in addition to the 400 Airbuses. The wide-bodies would be Airbus A330s or Boeing TT/s. Michael Skapinker, Aerospace Correspondent

US favours direct approach

Unilateral pressure on Tokyo to reduce its trade barriers is likely to prove more effective than complaints to the World Trade Organisation, according to a majority of US executives polled in a recent survey.

The poll of 204 executives in US companies doing business around the Pacific Rim was commissioned by the Washington-based Economic Strategy Institute. Most respondents believed Japan had made progress in reducing tariffs, but that US companies still faced unfair

However, Japan was not alone to blame - 39 per cent believed the US government was not doing enough to open the Japanese market. Heather Bourbeau, Washington

Moldova WTO plea rejected Moldova's trading partners yesterday rejected its request to enter the World Trade Organisation as a developing country, but praised its efforts to liberalise its economic

and trade regime. Moldova, a former Soviet republic, told the first meeting of the WTO working party negotiating its accession terms that its economic difficulties justified "a certain

flexibility" in complying with fair trade rules. However, the European Union, US, Japan and Canada all urged Moldova to comply with WTO obligations from the outset. The EU and US also asked for a "standstill" on new trade measures inconsistent with WTO rules.

Moldova, which has a population of 4.5m, has already begun to introduce WTO-consistent legislation, and vesterday presented a plan to open its services sector to foreign competition. Officials said new laws were also pending on customs duties, foreign trade regulations and public procurement Frances Williams, Geneva

Thai petrochemical project

Chevron Chemical of the US and the state-owned Petroleum Authority of Thailand (PTT) are teaming up to build Thailand's largest aromatic plant at a cost of \$1.4bn The project was approved by the Thai cabinet yesterday. The petrochemical facility, projected to produce 675,000 onnes of paraxylene and 600,000 tonnes of benzene

annually, will be located in the same compound as Star Petroleum Refinery, a joint venture between PTT and Caltex, partly owned by Chevron. The plant will use naphtha from Star, PTT said. Chevron will hold 60 per cent of the new venture and

PTT 40 per cent. Two-thirds of the plant's production will be exported throughout the Asia-Pacific region. particularly to China, Korea, Malaysia and Taiwan. It is expected to earn the country nearly \$500m a year in export revenues. Ted Bardacke, Bangkok

 A joint venture between Leighton, the Australian civil engineering group, and Japan's Kumagai-Gumi has been awarded a HK\$1.1bm (US\$142m) contract to design and construct two aqueducts for the Water Supplies department of the Hong Kong government in the New Territories. Work is due to start iromediately, and is set to be completed by the year 2000.

Music growth forecast in Latin America Geographic expansion has Taiwan and Thailard experi- cent up on the previous eastern Europe's largest

The music industry is poised for dramatic sales growth in Europe over the next decade, as sales stall in North America and western Europe. A report compiled by Mar-ket Tracking International, a

The company said it may hire more staff to enable it research consultancy, for to meet the order. Produc-Music Business Internation of the EMB-145, curtional magazine, expects rently two units a month, music sales to increase by would rise to four a month 167 per cent in Latin America and by 322 per cent in eastern Europe by 2005.

been one of the chief contributors to the recent growth of local currency terms last the music industry, which year. has enjoyed double digit sales increases for most of Europe seem set to show the past decade, and had equally aggressive growth \$40bn in retail sales last over the next few years, as from a lower base, assuming

Asia has been one of the industry's most fertile new nies step up efforts to curb music markets of the 1990s, piracy. reflecting the region's economic buoyancy and reforms Latin America last year, par-particularly aggressive of inward investment conticularly in Brazil, where growth in the Balkan and

enced double digit growth in year. MTI predicts that 483m Latin America and eastern

economic · conditions improve and record compa-

albums with a retail value of \$6.7bn will be sold in the region during 2005. Eastern Europe is set for

even stronger growth, albeit local authorities manage to thwart piracy. Some 349m albums with a retail value of Music sales rose sharply in according to MTL It expects trols. India, Indonesia, Mal- some \$1.39bn worth of former-Soviet states, with aysia, the Philippines, recordings were sold, 33 per Russia tipped to become

market, selling \$1.4bn worth of recordings in 2005. of these regions should

accelerate the trend for record companies to be increasingly dependent on stars popular in particular regions, rather than global megastars. \$2.7bn will be sold in 2005, MBI Latin American Report

and MBI East European Report; £595 each from MTI, 1 Archway Business Centre, Wedmore Street, London N19

East Asia and the Pacific lead world in travel

By Scheherazade Daneshkhu, Leisure industries Correspondent

people living there outstripmost of the region's new ped those taken by North international travellers. American residents for the first time last year.

part of the world, to 94m make China the dominant Korea and Singapore topped trips; North Americans made 92m trips abroad.

Japanese and Australian East Asia and the Pacific are tourists headed those most biggest regional supplier of region, but the emerging ism Organisation says. The Malaysia, the Philippines number of trips taken by and Singapore are producing nations.

"More than 5m Chinese travelled abroad in 1996; Travel from East Asia and their strong desire to travel, the most visited long-haul making it fifth biggest tourthe Pacific grew 8 per cent, coupled with steady eco-destinations; within the ism earner after the US. higher than from any other nomic growth, could soon region, Hong Kong, China, Spain, France and Italy.

player in the region's tour- the list. ism." said Mr Enzo Paci, the organisation's chief of statistics. Just under half last to 87m visits last year. But poised to become the world's likely to travel outside the year's trips by Chinese travellers were to Hong Kong. the region's tourism growth travellers, the World Tour- economies of China, Korea, Macao, Thailand, Vietnam rate could be held back by and Japan were other desti-

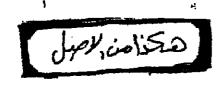
US, Italy and France were

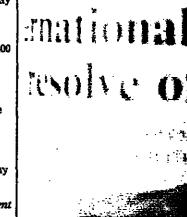
Travel to East Asia and the Pacific grew 9.3 per cent the organisation warned that airport congestion.

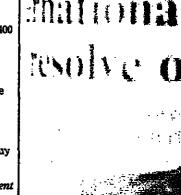
Earnings from interna-Japanese outbound travel tional tourism increased 9.8 grew nearly 10 per cent to per cent to \$81bn. Receipts more than 25m trips. The from China and Hong Kong totalled \$21bn last year,

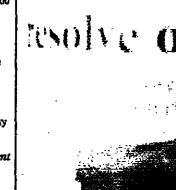
Trends in outbound travel

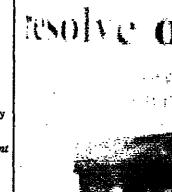
			1.4
	(OC	s abroad M	%
Regions	1995	1996	96/9
	2.2		\$ 43M
Americas	106,151	109,715	3.4
of which North America.	89,391	92,300	3.3
Caribbean/Central and	16,790	17,415	3.9
Southern America			
East Auto/Pacific	-88-611	83,678	
Europe	309,787	315,802	1.3
Middle East	9,038	0.580	* 5
South Asia	4,374	4.580	4.
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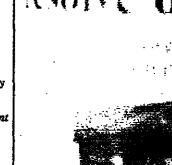


















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Israel agrees sweeping finance reforms

By Judy Dempsey

UK bid for

Airline denies

Airbus deal

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Molden a M 10 plea rejent

Mr Benjamin Netanyahu, the Israeli prime minister. yesterday agreed to introduce sweeping reforms aimed at cutting the budget deficit, lifting foreign currency restrictions and speeding up privatisation.

The measures, unveiled after a two-day marathon session between Mr Netanyahu, Mr Dan Meridor, the finance minister, and Mr Jacob Frenkel, governor of the Bank of Israel (BOI), will be phased in next year.

Mr Netanyahu said he would liberalise foreign currency transactions, allowing institutional investors and Israeli funds to trade abroad as well as unhindered access to foreign currency accounts, all of which could pave the way for full convertibility of the shekel

At the same time, he said it was agreed that this year's budget would be cut by as much as Shk600m (\$175.7m) to bring the deficit down from 4 per cent of gross

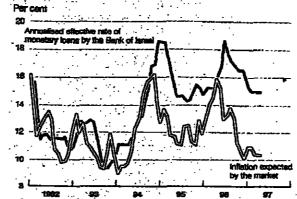
The ambitious plans, often talked about in recent months, disguise a conflict between the finance ministry's conduct of fiscal policy and the Bank of Israel's tight monetary policy. Mr Meridor, at loggerheads

with Mr Netanyahu over his style of governing, has insisted that in return for further reductions in the budget deficit, the bank should reduce interest rates. The prime lending rate is 15.4 per cent, while the rate for daily loans to commercial banks is 13.9 per

His argument is that high interest rates are attracting foreign capital, which is pushing up the value of the shekel and threatening exports. For the first quarter of this year, exports of goods and services increased by 13.5 per cent compared with the previous quarter, but they were up just 6.1 per cent on the same period a

Mr Meridor believes that with inflation running at an

Israel: interest rates and inflation



there is room for some slackening in monetary policy. Herein lies the nub of the ministry and the central bank, a conflict in which Mr Netanyahu may well be forced to choose sides. It was partly this issue which prompted the prime minister to call a cabinet meeting last

Mr Frenkel is determined to keep inflation down, cutdomestic product to 2.8 per annual rate of 9.5 per cent ting it to between 8 per cent in an attempt to stem the 4.4 per cent last year. There rise of the shekel. Traders is also concern about rising said the BOI intervened heavily yesterday, buying cent last month to an annual close to \$500m to ease the upward pressure on the cur-

The shekel is tied to a basket of currencies and is allowed to trade in a hand of by 6 per cent a year. The BOI wants to widen the

effect of appreciating the is seeking an equilibrium for the currency," said Ms Daniella Finn, analyst at Ilanot-Batucha Investments.

The idea that the shekel would appreciate as a result of such a move has hardened the resolve of the finance ministry and the business community to oppose any exports would be further hit. arguing that growth is

to intervene in the markets with 7.1 per cent in 1995 and unemployment. It rose 1 per rate of 7.7 per cent this year compared with 6.7 per cent last vear.

ه کذامن المعبل

"It's quite clear that if the BOI wanted to curb the money supply and the inflow 7 per cent above or below a of foreign exchange it should declining line designed to first cut interest rates. This devalue the Israeli currency would also stimulate the economy," a finance ministry official said.

ands. But by last night, Mr Economists said this Frenkel seemed determined would have the immediate to try to persuade Mr Netanyahu to support a new band structure and adhere to current monetary policy. "Mr Netanyahu should

make these tough decisions now and end the long conflict between the fiscal and monetary policy makers," a BOI official said.

"It's not only the bank which wants a clear strategy. The markets are tired of mic policy. It's time for hard

Bid to relax ivory trade ban fails

By Yony Hawkins in Harare

A South African compromise resolution allowing strictly-controlled trade in ivory and other elephant products was defeated by three votes at the Cites meeting on endangered species in Harare yesterday.

The three southern African countries -Botswana, Namibia and Zimbabwe - pushing for the downlisting from appendix one, which forbids any international trade, to appendix two, allowing controlled trade, failed by just three votes to secure the two-thirds majority required. A total of 75 of the 123 countries voted in favour of the Pretoria compromise

even abstaining. The southern Africans needed 78 votes to secure downlisting under the Cltes (Convention on International Trade in Endangered Species) rules. Under the South African compromise, the resumption of trade in elephant products and ivory would have been accompanied by very tight quotas and controls from

with 41 voting against and

Japan would have been the buyer of ivory products. Botswana would have been allowed an ivory export quota of 25.3 tons, Zimbabwe 20 tons and Namibia 13.8

There will be a vote on the main downlisting resolution today at which the southern Africans are again likely to lose, though yesterday's defeat being so narrow, it is just possible that some delegations will change their votes. Initial reaction from downlisting lobby was one of disappointment at having

got so close, mixed with

Amnesty International irritation at the seven states European Union members are being blamed for

Zimbabwe's President

Mugabe: will sell ivory

report of experts. The fact that the three southern African countries nushed for a vote on the compromise resolution lose today. Zunbahwe has already said that regardless of the outcome of this week's votes it will go ahead and export ivery. It has already entered a reservation meaning that it can trade in ivory if it wishes, though this is dependent on an importing country - in this case Japan - being willing to lodge a similar reservation which, as yet, it has not

 The meeting rejected contentious proposals by Japan and Norway to relax 11-year ban mercial whaling.

They failed to win a two-thirds majority in a secret ballot on their bid to resume catches of various whale species which they say are abundant and not endangered.

This is the third time that Japan and Norway have tried and lost their push for a relaxation of the embargo which Cites adopted after the International Whaling Commission (TWC) imposed abstaining on a technicality a moratorium on commercial namely the timing of a whaling in 1986.

'Rich turn back on growing tide of refugees'

Amnesty accuses west of forcing human rights victims into the arms of their persecutors

By Michael Holman

The number of refugees fleeing human rights violations has almost doubled to more than 15m over the past 10 years and their plight is deepening, Amnesty International said yesterday.

"The international regime that is supposed to protect refugees is in crisis," warned the London-based agency in its annual report, saying there had been a "marked level of international protection for refugees

"Countries which proclaim nationality by another". the importance they attach neonsly force men women and children back into the legal and administrative their countries of origin". arms of their persecutors by measures to obstruct and obstructing access to asylum deter refugees from seeking refugee crisis in eastern open conflict, there has been

the UN Refugee Convention definition of who is a refugee and forcibly returning those who are in need of protec-

tion," says Amnesty. The UN Refugee Convention and its Protocol often prove inadequate because many situations faced by refugees today are deemed to fall outside its terms...as the reasons why people flee their homes are becoming more complicated deterioration" in 1996 in the in a world beset by armed conflict, political instability and persecution of one

> Amnesty accuses the of employing a variety of

procedures, misinterpreting asylum, increasing the burden on the governments of the South, which host 85 per cent of the world's

> In Africa alone, the report points out, there are 5m, one third of the world total, as well as at least 16m of the 25m to 30m people around the world who have been "internally displaced" forced to leave their homes, though remaining within their country's borders. The logistical.

environmental and economic strains of the refugees on poor countries are enormous, and their to human rights simulta- countries of the rich North governments are starting to coerce refugees to return to The report highlights the

accusing forces loyal to the country's new leader, Mr Laurent Kabila, massacring refugees from Rwanda and Burundi as well as displaced Zaireans.

and 9 per cent by the end of

been a big inflow of foreign

exchange in search of high-

yielding shekel investments.

This has had the effect of

increasing the money supply

has widened by about 19 per cent annualised. "This pace

is out of line with the infla-

tion target and real activity

for growth for that period,"

said Mr Gil Bufman, an

which, since December 1996,

the year. However, there has

"are The survivors in grave danger of continued human rights abuses and they are not getting intergovernmental organisations the full protection which is due to them", warns Amnesty.

Turning to Europe, Amnesty reports that the refugee crisis that followed the break-up of Yugoslavia shows little sign of improvement: "One year which brought an end to association could be severely

establishing the durably safe conditions which would of allow refugees and displaced people to return to their

> human rights violations have forced countless people to flee their countries". while more than 50,000 political violence in Algeria since 1992.

In the Middle East, "mass

Serious human rights violations were committed in virtually every country of the Asia Pacific region during 1996, according to the report.

Amnesty said it was concerned that the right to after the peace agreement freedom of expression and curtailed in Hong Kong

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(This list is illustrative)

Concurrent with

CEOs' Delegation

Seminar • Cultural

Events • Food Festival

the Show:

Fashion Show

<u>Fair Timings:</u>

10 - 11 July:

10 am to 6 pm

10 am to 5 pm

10 am to 4 pm

12 July:

13 July:

Sanitaryware • Consumer

Durables - Ceramics

Moulds • Footwear &

nership with the Indian

Product Categories

industry.

India Show' in Manchester

Congo, formerly Zaire, little real progress towards following its return to Chinese sovereignty on July

> It expressed particular worries over the proposed repeal by the incoming Hong Kong special administrative region government of 16 laws and amendments to nine others, including the bill of rights.

Amnesty. campaigns for the abolition of capital punishment, reports that at least 4,272 prisoners were executed in 39 countries, and 7,107 people were sentenced to death in 76 countries.

Report, 1997, 99-119 Roseberry Avenue, London ECIR 4RE Fux: (44) 171 833 1510 Refugees and the west, Page

International hostility stiffens the resolve of Sudan's rulers

The country's military president has become noticeably more assertive since his nomination last year, writes Mark Huband

Sudan's ruling alliance of military officers and Islamist politicians will tighten its grip on national isolation, economic crisis and the shattering of political unity among the country's northern Moslems. according to political ana-

A new constitution expected to be passed later this year will entrench the incumbent regime while giving some free expression to other parties as long as they abandon hope of real power. Faced with implacable hostility from the US at international donor meetings, and overt support by its neighbours for armed groups bent on overthrowing it, the regime is now reforming from within, as leaders of the military-religious alliance juggle for power.

Since his nomination as president in a tightly-controlled contest last year, seven years after seizing power in a military coup. Lt.Gen. Omar Hassan el-Bashir has been noticeably more assertive, at the expense of Mr Hassan el-Tourabi, the leader of the National Islamic Front which rules in alliance with the military. Mr el-Tourabi has increas-

ingly been associated with failed foreign and economic policies which have led to Sudan's isolation. "If the NIF were not in power, its support would be halved," said Mr al-Tayib Zain al-Abdin, a moderate

supporter of the NIF and

long-time political associate of Mr el-Tourabi There are people within the NIF who are not bappy with what is going on."

Mr al-Abdin, a professor of torm university, said: "The government has lost support for its economic policies. banks giving tax inspectors political climate. the right to look into these things, which have



charge than they used to be'

lute power since 1991 when tain political situation." it launched its Islamisation programme in alliance with of the core power structure the military coup leaders.

"At one time Tourabi was the strongest person in the government. It's no longer Recent behind-the-scenes

them Islamic, wanting to dent retain tax exemption on the SD4bn (\$26m) worth of priexemption.

Despite some privatisa-

"We say to the minister of people's bank accounts - all finance and the government that we need to have better mostly been abandoned but relations with the US, with are remembered - were crit- the other western countries, mination. and with the donors," said

been forged by expediency the governor of the Bank of rather than principle, its Sudan "They agree with shifting alliances, and its that in principle. But they response to the taste of abso-

> The changing complexion reflects the evolving crisis ing voices. facing the regime. Another disillusioned NIF

insider said: "All the senior the case," said one NIF army officers are in President] el-Bashir's camp. None of them is siding with Toursupport by Mr el-Tourabi for abi. Now the most powerful and, in accordance with the relief organisations, most of decision-maker is the presi-

"The military people are now more in charge than vate business they conduct they used to be. They have in Sudan, was insufficient to taken some people from political science at Khar- allow them to retain their under Tourabi's umbrella," Sudan is now divided into tion coming up which is

tion, economic policy-makers two military camps. One more secular," he said. "I Currency changes, limits- have found little comfort in allies the government with a feel that the ideal of any tions on withdrawals from the increasingly dogmatic group of southern factions - leader is that he has an abil-

Its political direction has Mr Abdalla Hassan Ahmed, National Democratic Alli- that will be my success."

ment's opponents within the north, led by Mr Sadiq al-Mahdi, the former prime minister, with Mr John Garang, leader of the main southern military faction, the Sudan Peoples' Liberation Army.

The NIF retains its own well armed and well paid militia, which is responsible for political repression and continues to use torture as its main political weapon at government "ghost-house' prisons in the suburbs of Khartoum, according to wit-

The pragmatism of those in power has led to accusations from religious conser vatives - as opposed to the modern Islamists guiding the regime - that the government retains only one aim, that of staying in power. A threat from within, coupled with the growing threat from outside, is what the regime is determined to

"There's no question of a coup in the army against the system," Mr el-Tourabi said in an interview. "Which was are the officers travelling? All the officers believe in these principles," he said, an indirect reference to the fact that the senior army ranks have been purged of dissent-

There may be some demonstrations. But they won't overthrow the system," Mr el-Tourabi said. Mr al-Mahdi would not be arrested if he were to return to Sudan, new constitution, he could return into opposition.

Whatever innovations the government may have in mind, Mr el-Tourabi does not foresee any change in the country's leadership. "There's not a new genera

the United Democratic Sal- ity or influence, that he vation Front - with which it should not remain separate signed a peace agreement on and alone, but integrate and April 21 guaranteeing south- dissolve himself into society. erners the right of self-deter- I don't want to grow into a mination. pope or an *imam*. If most of The other camp - the society becomes like me,

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⊕ Lufthansa

By James Kynge in Kuala Lumpur

manufacturing base could decline. Manufacturing pro-Ms Rafidah Aziz, Malaysia's ductivity gains dropped to international trade and 5.7 per cent last year from 6.6 per cent in 1995. Wages in industry minister, warned yesterday that the domestic the manufacturing sector electronics industry would climbed 8.9 per cent in the have to move to a "higher same period. technology plane" to remain Ms Rafidah said the way competitive internationally.

forward was to climb the Her warning comes after value-added chain, so that statistics last week showed a significant drop in electronwage costs become a less ics exports in April, raising questions over the competicrucial determinant of competitiveness. Malaysia must start producing semiconductiveness of one of Malaysia's tor wafers, she said. There is export industries. Consumer electronics and one government-sponsored semiconductor wafer plant

electrical machinery exports fell 15 per cent in April from the same month a year earlier. Office machine and data processing equipment regis-tered a 22.6 per cent decline audio equipment exports dropped 22 per cent. Overall, the country posted a in south-east Asia. Thailand, M\$2.1bn (\$835m) deficit for

Analysts said the falling a boom in computer-related trend represented a decline mainly in value rather than volume of products shipped. meaning prices of some items have been cut. Overcapacity in overseas electronics markets was behind some of the price cuts. There is concern that as ures later this year.

Undeterred by the financing

problems other grandiose

projects are encountering,

Malaysia is gearing up for its

biggest project to date - a

M\$30bn (US\$12bn) scheme to

reclaim and develop nine

islands off the country's

Hock Seng Lee, a marine

engineering company, said yesterday it had been

awarded a project to reclaim

a 2,800 hectare island on

which an international air-

port and seaport are to be

built. Plans are in hand to

link the island to the main-

land by a bridge for a fast

Other islands, situated 500

metres to 1km off the coast

of the state of Kedah, are to

They are intended to

become tourist resorts and

defence, aerospace and pet-

rochemical industries, execu-

tives involved in the project

In all, 16,300 hectares are

scheduled to be reclaimed.

The overall developer of the

project is Samudera Baru

Darul Aman, a Malaysian

company in which Mr Den-

nis Yee, executive chairman of the Hock Seng Lee group,

The project is backed pri-

marily by Mr Sanusi Junid,

chief minister of Kedah, who

claims Dr Mahathir

Mohamad, Malaysia's prime

minister, supports it. Kedah

is Dr Mahathir's home state.

Mr Anwar Ibrahim, the

has a 25 per cent stake.

north-western coast.

By James Kynge

Green light for

island project

in Malaysia, but it is not

producing on an industrial

Singapore, Malaysia's

more advanced neighbour to the south, has been attract-

ing the lion's share of semi-

conductor wafer investment

where labour costs are lower than Malaysia, has also seen

manufacturing. But the out-look is not all gloom. Sea-

gate, the US electronics man-

ufacturer, has been

investing in disk drive

capacity in Malaysia. Output

from these plants should

start to show in export fig-

not necessarily share Dr Mahathir's enthusiasm for

mega-projects, has said the

mental impact assessment

It is not known how long

Analysts were sceptical

that funds could be raised

for a project which did not

seem essential. "Why do they have to reclaim islands

when there is surely plenty of spare land in Kedah

itself?" one analyst asked.

south-east Asia's biggest

Malaysian Borneo. A

ped this month.

before it could go ahead.

the study will take.

Hotelier greed denied 8,000 rooms to spare Lengthy waiting lists dry up Hotels are likely losers at HK party

By Louise Lucas in Hong Kong

For all the attendant Sino-British bickering, the biggest losers of face as prices of some goods fall the attractiveness of Malaysia as China resumes sovereignty over Hong Kong at midnight on June 30 may yet prove to be the hotels. After months of griping

about insufficient rooms to house the planeloads of handover visitors and boasts of mile-long waiting lists (and equally long room tariffs) the industry has performed a sheepish about-turn and admitted to 8,000 empty rooms on the most historic night in Hong Kong's calendar.

Mr Alan Wong, analyst at W.I. Carr, attributes the phenomenon to a mix of speculators buying up blocks of Hotels were trying to gouge Borer, general manager of tions on mainland travellers

packages of up to six nights dame of the territory's at very high prices," he says. But as the hoteliers see it, they are more sinned against than sinning. "There's no greed involved, even though it was very tempting," says

Regent Hotel and chairman of the hoteliers' trade body. Rather than pushing up prices, hoteliers say they have simply suspended all corporate discounts. Meantime, all sorts of goodies have been thrown into the packages - from silver tan-kards to cocktail parties - so it is difficult to make strict before and after compari-

Mr Thomas Axmacher, gen-

eral manager of the luxury

Empty rooms are quite a common occurence with of economists predicted last events of this magnitude, rooms as early as four years such as the Olympics and in particular are likely to ago and hoteliers' greed. the handover" adds Mr Peter feel the pinch from restric-

the public: they wanted The Peninsula, the grands hotels. "You end up having empty rooms because people double-book and make plans, and then panic." Others trace the mirage of

> full occupancies back to the Excelsior Hotel, which was the first to launch its handover tariff of HK\$1,997 (US\$258) - but just for one night. Years later, when management started collecting deposits from takers they found their would-be guests dead, moved to new addresses, or simply having lost interest in the idea. The hotel has rooms available.

> Empty hotel rooms are just one sign that the handover may not be the moneymaking bonanza a number year. Shops and restaurants

over the handover period. Mr Dong Tao, senior well into next year. regional economist at Schroder Securities Asia, estimates that about 1 per cent quell cross-border visitor flows between June I and

Chinese tourists, who made up 18 per cent of last year's 11.7m visitors, are the biggest spenders after the equates to 6.8 per cent of Hong Kong's total retail sales, and Mr Tao adds 5 per cent again to reflect the money spent by Hong Kong residents entertaining their mainland friends, relatives

and business associates. However, while the withdrawal of mainland spending is expected to be a temporary affair, the hotels could

'I think 1998 will be a flat

year," says Mr Liam Lambert, general manager at the of Hong Kong retail sales Mandarin Oriental, one of could be lost as a result of the territory's glitzlest versary year of the Nanjing measures taken by Beijing to hotels. Like the Peninsula. the Mandarin is full over the playing host to Baroness Thatcher, Britain's former prime minister, who signed the Joint Declaration in 1984 that started the handover

Japanese, and spent ball rolling. HK\$15.2bn in 1996. This The Peninsula's Mr Borer agrees, and reckons overexposure will be partly to blame: "Even the little hinterland newspapers are full of Hong Kong; it makes a fantastic story because there are no wars. I regret that over-exposure very much."

Mr Wong also sees a tendency for certain visitors to avoid Hong Kong once it is part of China. In Japan, for

massacre, when the Japa nese stormed into China. handover, when it will be and in the wake of the recent conflict over the Daioyu islands. As befits the chairman of the Hong Kong Hotels Association, Mr Axmacher is far more optimistic: the new airport opening next April will bring in twice as many tour-

busily promoting Hong Kong

as a British colony. After

wards, there are fears that

sensitivities could flair up -

especially in this 60th anni-

says, and the 12 new hotels now under construction will be a necessary addition. As to the current 8,000 empty rooms, or 23 per cent of the territory's total inventory? "There's always a last minute pick-up, so there's nothing to worry about," he

ists and businessmen, he

ASIA-PACIFIC NEWS DIGEST

Manila budget target missed

The Philippines posted a budget surplus of 4.9bn pesos (\$186m) for the first five months of the year, falling short of the government's target of 11.3bn pesos and the 12.6bn pesos recorded for the same period last year, according to the Bureau of Treasury yesterday. Government revenues totalled 179.8bn pesos against

expenditure of 174.9bn pesos. News of the budget surplus Manila has run one for the past two years accompanied positive news on the trade deficit which fell 35 per cent to \$860m in April year-on-year, according to government figures. The National Statistics Office said the total trade deficit for the first four months was \$3,75bn, 5.9 per cent down from \$3.99bn last year. The improved trade deficit comes as good news for government economic planners, among criticism from some analysts of the rigid foreign exchange rate with the

Separately, the government yesterday formally requested an extension of its three-year borrowing programme with the international Monetary Fund which expires on June 23. Congress has failed to pass the final portion of the comprehensive tax reform programme, the last big obstacle to graduating from the IMF's tutelage after 23 programmes in 35 years. Justin Marozzi, Manila

Narayanan set to be president

Mr K.R. Narayanan, India's vice-president, is favourite to be next president after winning the support of the ruling United Front and Congress party. Nominations close next week ahead of the election of the country's 11th president on July 14 by an electoral college comprising national and regional MPs. The UF and Congress have the greatest weighting in the electoral college and their endorsement of Mr Narayanan late on Monday means his election to the top ceremonial job is now a formality

If Mr Narayanan is elected be would be the first president from the backward classes, a significant development in the 50th year of India's independence. An estimated 75 per cent of the 960m people are from the backward classes, formerly known as untouchables. Dr Shankar Dayal Sharma, the departing president, is a Khozem Merchant, New Delhi high-caste brahmin.

Taiwan reunification pledge

Taiwan's foreign minister yesterday reasserted his government's commitment to eventual unification with rival China, on the eve of Hong Kong's transfer to Chinese sovereignty. Mr John Chang appeared to adopt a conciliatory tone toward China, amid protests from Beijing at his visit to the US, in spite of Taiwanese military exercises scheduled to be held early next week in a display of defensive firepower against a potential Beijing views Taiwan as a renegade Chinese province

and refuses to rule out the use of force to recover it. Mr Chang appealed for backing from the international community for Taiwan's cause. 'It takes time, wisdom, patience, and most important of all, world support, to persuade mainland China to take us as her equal . . there s no easy walk to reunification," he told the Los Angeles World Affairs Council, a civic group. Laura Tyson, Taipei

UK names envoy to Beijing



Britain has appointed Mr (pictured right), as its unbassador in Beijing. He will replace Sir Leonard Appleyard, who has served in the Chinese capital since 1995, in December. Mr Galsworthy, former senior Liaison Group dealing with Hong Kong's transition to Chinese rule, has served in Beijing twice before - in the early 1970s and 1980s. A fluent Chinese speaker, Mr Galsworthy will come to relatively young age. His

present post is as one of the Foreign Office's three deputy under-secretaries. He headed the Foreign Office's Hong Kong department in 1984 at the time of the Joint Declaration which cleared the way for Sino-British negotiations on details of the colony's return to China's Tony Walker, Beijing

Vatican warning to China

The Vatican has issued a thinly-veiled warning to China to respect the rights of Catholics after next month's hand-over of Hong Kong. The warning came in the form of a dossier prepared by Fides, the agency in the Vatican's ministry for overseas missions, and highlights the freedom of worship enjoyed by Catholics in Hong Kong compared with the frequent persecution of their co-religionists in China. The Vatican is reportedly concerned that, even though China is committed to the principle of one nation, two systems, Hong Kong Catholics risk being in an exposed position since many are members of the Democratic party. The church is also active in social work in a way which has never been tolerated in China.

The Fides dossier says the Holy See has received unofficial reassurances Peking will not interfere in the nomination of bishops in Hong Kong or in the local church's relations with Rome. Robert Graham, Rome



Governor Chris Patten reacts to a missing shot at a game of ping-pong with a student during a school visit yesterday

Democrats plan to protest at investor sentiment has recently turned against a "national project" to build handover of Hong Kong hydroelectric dam at a cost of M\$13.6bn in the jungles of

M\$1.46bn rights issue to help finance the Bakun Dam flop-By John Ridding in Hong Kong

The company planning to build what is claimed to be Hong Kong's biggest the longest building in the pro-democracy party yesterworld, a 1.8km structure day announced plans to called "gigaworld", designed stage a protest in the territoto snake over a muddy river ry's legislature during ceremonies marking the return to China at the end of the in Kuala Lumpur, is also encountering difficulties in its attempts to raise funds. month.

analysts said. The main problem is that stock market sentiment has been fragile since March, meaning equity finance operations have often had lacklustre results.

Adding to the strain are the considerable fund-raising demands expected from the construction of a new administrative capital. Putrajava. for M\$20bn. The first phase of Putrajaya's construction acting prime minister and is already under way.

of the month. backed body.

News of the move, which may prompt a showdown with officials, followed a decision by authorities to bar plans for a rally on the day of the territory's return to China.

It came amid another setback to pro-democracy the programme is that we groups as the future administration appointed representatives to local government bodies.

Mr Yeung Sum, vice-chairman of the Democratic party, said members would government body, earlier ment in municipal councils attend the ceremonies mark-rejected a request by the and district boards, Howing the handover at the end

But he said they would then return to the Legislative Council building to make speeches of protest against plans to replace the legislature with a Beijing-

The Democrats, the largest group in the existing legislature, refused to seek seats in the post-handover body. They believe it has no legal basis and are mounting challenges in the courts.

The whole message for support China's resumption of sovereignty over Hong Kong but that we will keep fighting for democracy," said

The council rejected the application for the raily on the grounds that a pro-China women's group had already planned a carnival in the

Alliance in Support of the

Patriotic Democratic Move-

ment in China to stage the

first rally under Chinese

same location. Victoria Park. "You can imagine that it is purely political censorship to block the Alliance from using Victoria Park," said Mr Fred Li, a legislator from

the Democratic party. "That has really hurt the council's The rejection of the appli-

cation came as the government-in-waiting said it joined by people who haven't would leave in place existing been elected. It is a curious The Urban Council, a local members of local govern- sort of democracy," he said.

and district boards. Howreacted angrily to the announcement that more than 100 new appointed seats would be installed in local government. The new seats are dominated by pro-Beijing

"It is a very bad message to the whole world that Hong Kong is going backwards in terms of democracy," said Mr Yeung.

Mr Chris Patten, Hong Kong governor, also criticised the move. "Nobody argues that the

esent district boards work badly. They work extremely well... They are going to be

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Taiwanese currency hits eight-year low

By Laura Tyson in Taipei

Taiwan's currency slid to an eight-year low yesterday amid signs that the island's monetary authorities may be rency to help to buoy

Spurred by strong comclosed at 27.917 against the US currency, the lowest level since January 7, 1989.

The central bank has not given any indications of a target level, but economic will not allow the local unit to fall below T\$28 to the US

Several factors are said to be behind the currency's in an apparent effort to stem gradual downwards trend, both internal and external.

A ban on exports of pork leclared in March due to an outbreak of foot-and-mouth disease on Taiwan's pig farms saw exports cut by nearly US\$150m a month, helping reduce demand for Taiwan dollars from export-

Uncertainty surrounding omy remains weak and, year's pig disease crisis.

transfer to Chinese sovereignty may also have had an impact on the currency.

Central bank officials cite unusually high capital outhappy to see a weaker cur- flows in May as the main cause of what they believed was a temporary decline in the currency's value. Formercial demand for the US eign portfolio investors on dollar, the Taiwan dollar the stock market remitted a net US\$436m out of Taiwan last month as share prices appeared to stabilise following big gains in the early part of this year.

"If there is no [further] analysis believe the bank outflow interference, the room for depreciation of the Taiwan dollar is limited," said Mr Hsu Chia-tung, deputy central bank governor. the slide.

domestic currency.

Hong Kong's approaching given the limited success of government policy efforts to stimulate the economy through lower interest rates and looser liquidity, the only engine to stimulate growth is exports.

"The central bank is happy to see a weaker Taiwan dollar," said Mr Stephen Wang of HSBC James Capel, "But 28 is the Japan and South Korea

are Taiwan's main competitors in the important electronics sector. A weaker currency would make Taiwan products more attractive, Mr Wang said. The Taiwan dollar has fallen nearly 15 per cent against the Japanese yen since the beginning of

Exports to the US, Europe But analysts pointed to the and Hong Kong and China falling trade surplus and a are up on last year, rising 8.8 balance-of-payments position per cent, 7 per cent and 4.6 that may go from surplus in per cent in the first five the first quarter into a defi- months of this year. But cit in the second quarter. exports to Japan - which Both these factors exert maintains a persistently downward pressure on the high trade surplus with Taiwan - suffered from last Internally, the real econ- year's yen gains and this

health Britis all High

1.3 in large

Mr William Cohen, US defence carefully at the latest allegations gered by a report from the Genin a row over illness among Gulf War veterans, though the finding arm of Congress, which charges could mean further found "substantial evidence" poiembarrassment for the Pentagon.

Mr Cohen, on a tour of the Gulf region, also denounced the testing by Iran of Chinese-made antiship missiles, while insisting the US would not be the instigator of any clash with Tehran.

eral Accounting Office, a fact-

son gas was a factor. Leaked in part to the press, a draft of the GAO report said there were "unanswered questions" about the veterans' possible exposure to aflatoxin, a bio-

physical and psychological disor- denounced as a rehash of existders suffered by thousands of ing scientific data by investigasecretary, has pledged to look Gulf war veterans has been trig- tors now working for the Pentagon and the White House, who had themselves been critical of earlier negligence in high places.

Last month, the Pentagon and Rudman to "find the facts" on both institutions came under fire ble exposure to affatoxin, a bio-logical agent, in the 1991 conflict. Clinton. "I think we need more The CIA has

The study was instantly evidence...and we will look concede it did a poor job of provery closely at the GAO report." tour, adding he himself was critical of the Pentagon's record.

Bickering between the Pentagon and CIA, during which both troops. agencies have changed their chemical weapons exposure after poison gas at Iraq's Khamisiyah facility, destroyed by US troops

The CIA has been forced to

cessing data about Khamisiyah; tour to reiterate the US adminisvirtually ruled out chemical and preventing them regaining weapons exposure among US economic or military strength. A

The American Legion, which Central Intelligence Agency story, focuses on who was to has championed the sick veterasked former Senator Warren blame for failing to warn US comblame for failing to warn US com- ans' cause, said the focus on dited from Canada to the US this manders of the likely presence of chemical weapons could be a red herring. More work was needed on the effect of oil well fires and have been involved. vaccines given to US troops to

Mr Cohen has used his Gulf Saudi suspect in a bomb attack on US servicemen in Saudi Arabia is expected to be extraweek, refocusing attention on US threats to punish Iran if found to

Even some of the strongest

Mr Cohen said while on his Gulf the Pentagon has been forced to tration's policy of "dual contain- elect Mohammad Khatami a abandon its earlier claims that ment": hemming in Iraq and Iran chance to prove his reputation for moderation. Mr Cohen, citing the testing of anti-ship missiles, accused Iran of continued interest in obstructing commerce and intimidating neighbours.

He was careful to leave the administration the option to reward more moderate behaviour by Iran, or take action if a "smoking gun" is found in the bombing

Mexico to repay \$6bn sovereign notes

By Leslie Crawford in Mexico City

Manila budge

target missel

National are set to be profe

it would repay, ahead of schedule, \$6bn of sovereign notes that fell due over the next three years, in a further indication of its success in tapping cheaper, longer-term finance in the international capital markets.

The \$6bn floating rate last year to clear Mexico's peso crisis debts to the US Treasury ahead of President Ernesto Zedillo's first state visit to Washington. The notes were backed by Mexi-

can oil exports. Since the start of the year however. Mexico has taken advantage of a benign international environment to refinance foreign obligations

on more favourable terms. It has raised \$590m of five year bonds in Japan, \$290m of 20-year bonds in Italy, and \$490m of five-year sterling bonds in the UK. as well as a \$200m syndicated bank credit which will be repaid over seven years.

Other capital market operations have raised

Foreign capital flows have been so strong that the Bank of Mexico added \$8.6bn to international reserves in the first five months of the year. In January, the cautious central bank had estimated that international reserves would rise by only \$2.5bn for the whole of the year.

Mr Martin Werner, deputy finance minister, said the \$6bn floating rate notes would be repaid in full on August 6 with the monies obtained so far this year and an additional \$2bn to be raised in the coming weeks. Mexico yesterday launched a \$1bn five-year bond which is expected to be priced over

the coming days. "The pre-payment of the notes is a crucial transaction for us," Mr Werner said.

"They represented the most expensive amortisation we faced over the next three years. The payment also liberates the oil export earnings which were tied up as

Mr Werner said the refinancing operations would reduce debt repayments on the market portion of Mexico's foreign debt to an lawsuit against the industry 1998 and 2000, against the \$30bn it paid during the financial crisis of 1995. The figure excludes payments to multilateral institutions such as the World Bank, the Inter-American Development Bank and the International Monetary Fund.

In the first quarter of 1997, the cost of servicing Mexico's \$93bn public foreign debt totalled \$11.3bn. Mexico still owes the IMF \$9bn of the emergency funds tt received in 1995 to stave off default. Finance ministry officials say the debt will be repaid over a number of



Star promotions: Lisa Leslie of the Los Angeles Sparks (left) and Rebecca Lobo of New York's Liberty, both in the Women's National Basketball Association

Women's basketball seen as next commercial sport

week's National Basketball Association finals between the Chicago Bulls and the Utah Jazz - the biggest television audience in the league's history - were also treated to an aggressive marketing campaign. In the frequent breaks of play, glossy shots of long-legged women ducking and weaving

touted the start of a new professional women's league on Saturday. The Women's National Basketball Association, or

WNBA, is the latest attempt to give women a commercially successful league of their own, and it has the marketing might and financial muscle of the NBA, the big men's league, behind it. Although the amounts of money involved are still small, this is the first time that the launch of a women's league has been greeted with the hype and fanfare normally reserved for men's sports or Hollywood movies.

"It is well financed, well thought-out and well sponsored," according to Mr Dick Friedman, a basketball specialist at Sports Illustrated, the US sports magazine. "If it fails, it's a really bad sign" for professional womens'

There are 12 big sponsors so far, including Nike, Genaverage crowds by the end of eral Motors and Lee Jeans. the season above 4,000.

who watched last \$10m each over three years, veys, approximately two pretty good exposure for a according to industry sources. Most sponsorships involve a product tie-in -POWERADE is the league's official sports drink of the

> Mr Scott Jacobson, a Coca-Cola spokesperson admits that the women's game is "kind of an unknown... This is an example of what happens when you have a good marketing relationship."

Unusually, all the television advertising is being sold to the sponsors, "because we could charge a premium to those who will have promotional rights," said Mr Rick Weltz, chief marketing officer at the NBA.

The WNBA is not the first try its hand at a professional women's league in one of America's favourite team sports. In fact, another women's league, the American Basketball League, has just finished its first season and secured fresh venture capital. But the ABL has focused on small, secondary markets such as Richmond, Virginia and Columbus, Obio, where sports fans do not have the opportunity to attend the top men's games. Still, its first season, which ran concurrently with the men's. exceeded expectations, with

The WNBA, on the other for example. Coca-Cola's hand, is trying to take advantage of a summer lull in US team sports. Its season will run for 10 wecks, when its only competition is baseball. And it has secured national television coverage on three stations, designed to net different target audiences - the mainstream NBC network, Lifetime, a women's channel and ESPN, specialist sports

> "We think the overriding factor will be exposure on national television. When we looked at the sports television calendar, we quickly came to the conclusion that the best opportunity was (the summer)," said the NBA's Mr Weltz.

To some Americans, though, the summer season labels the league as a minority or "alternative" interest. "They are treating it in a whimsical way by putting it on in the summer months," says Mr Harvey Araton, the New York Times sports colmakes business sense.

"The only time they could the summer months. They've used all of their marketing might and influence with television partners

in deals worth as much as According to their own sur- to get what amounts to thirds of ABL fans are new, unproven venture.

Beyond heavy marketing, though, the WNBA has to capture the public imagination. The men's professional game languished for years between a black player, Magic Johnson, and a white player, Larry Bird, gripped the nation in the early 1980s. Both had come out of the college basketball cir-

cuit. The WNBA marketeers are hoping that a similar dynamic will help boost the women's game. The growing popularity of women's college basketball has provided a fresh impetus for the wom en's game.

Two years ago, the University of Connecticut had a dream season which caught the attention of sports fans, and aroused interest in players such as Rebecca Lobo, the Olympic gold medallist who will play for the WNBA's New York Liberty

For the moment, the gap between the men's and women's game remains vast. In umnist. But, he admits, it the NBA, which had revenues of \$1.3bn this season, the average player now get prime-time space was in earns around \$2m for a 82 game season, according to the NBA. No woman in the WNBA will earn more than \$50,000 for 28 games.

Tobacco groups face healthcare order from **British Columbia**

Government expects to pass law before autumn to make it easier to sue companies if they refuse to contribute to costs

By Scott Morrison

British Columbia has demanded that tobacco companies help to pay for healthcare costs incurred by smokers or risk facing what would be the first provincial in Canada.

Adding weight to its threat, the province has introduced legislation, expected to be passed before autumn, that would make it easier to sue the companies. The legislation would enable the government to launch a as action suit on behalf of individuals and it would reduce the burden of proof required in such a suit.

The province appears to be following the lead of at least 30 US states that have launched lawsuits against tobacco companies. The states' attorney-gener-

is trying to settle with the industry before launching a lawsuit, which could take at least one year to reach the

courts. The government has not specified the amount it is seeking from cigarette companies, but said tobacco-related illnesses cost the province C\$500m (\$362m) in healthcare costs every year. Smoking killed an estimated 5,800 British Columbia residents and 40,000 people across Canada last year. The campaign is likely to

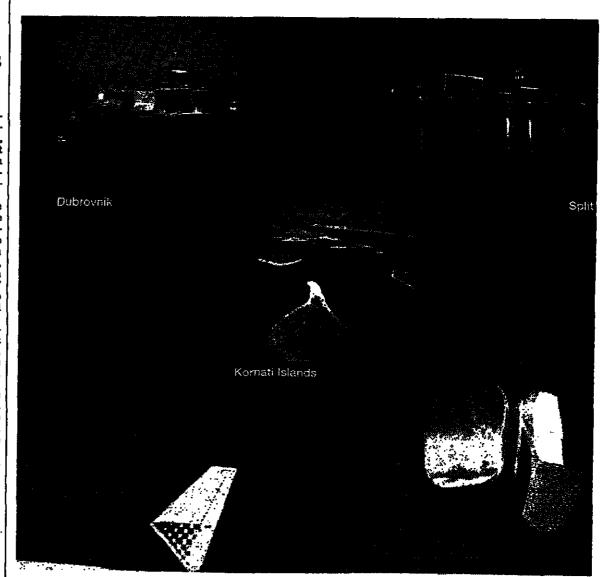
be the first of several attempts by provincial governments to wrest money from the industry. At least five other Canadian provinces have been considering legal action against tobacco companies and could soon follow suit. The provinces appear to have a much als are now in negotiations sounder basis for suing than

tives to reach a settlement. US states contribute sub-British Columbia, however, stantially to the federal Medicaid assistance program, each provincial government insurance plan and extensive publicly-funded health-

care system. The prospect of a massive campaign against cigarette companies appeared to concern industry leaders, who denounced the initiative as a tax grab. Mr Robert Parker. president of the Canadian Tobacco Manufacturers' Council, said anti-tobacco bills would be resisted by all legal means.

Mr Parker said governments were the biggest tobacco merchants of all. and claimed that British Columbia netted C\$500m in tobacco taxes last year. BC's lawsuit threat was accompanied by demands

that tobacco companies stop targeting minors and reveal all they know about the with industry representa- their US counterparts. While health effects of tobacco.



Threat to food safety standards

By Nancy Dunne in Washington

International harmonisation of food standards could lead to lower US food safety standards and require imports of foods now banned by Washington, according to a report by the Washington-based Centre for Science in the Public Interest.

The most immediate the report says, are rules under consideration by the Codex Alimentarius Com-Organisation. Most Codex report says. standards are lower than those of the US and many groups have been able to could force the US to raise such harmful herbs as ephe-

influence its rule-making.

abide by Codex standards if and opposed by the US - to US delegation to the Codex its tougher regime is suc- list hazardous herbal prodcessfully challenged in the ucts creates an opportunity tain numerous observers World Trade Organisation. This could lead to the US lic in an area where US regimporting unpastenrised ulators have not acted. dairy products, unsafe meat,

some standards. A proposal dra, chaparral, and courrey. The US could be forced to put forward by Canada to shield the American pub-The report notes that repunlabelled bottled water, resentatives of the Food and

US could be forced to abide by Codex threats to US food supply, standards if its regime is successfully challenged in World Trade Organisation

The US is by no means the leader in every area of food safety and consumer protectiage of this opportunity to tries, and industry trade tion, and harmonisation protect the US public from

mission, a subsidiary of the and foods containing dan- Drug Administration to the UN's Pood and Agriculture gerous additives or lead, the Codex Committee on Nutrition and Foods for Special Dietary Use had "inexplicably" failed to take advan-

"It is noteworthy that the committee meeting did confrom US trade associations and pressure groups repre senting the viewpoint of the dietary supplement industry, but did not contaîn a single observer from any US consumer protection organisation," it said.

The report recommends that, since Codex standards have "legal significance" in the US, Washington no longer agrees any new Codex standards that are weaker than US regulations.

It also should instruct US delegations to fight against new agenda items which might weaken US regulatory

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Electronics groups attack government proposals for regulating encryption

Code-breaking plan condemned

UK and US electronics companies have condemned UK government proposals that would enable security services to decipher coded electronic messages from ation warn the proposals terrorists and drug barons as "unworkable, unneeded and frankly unacceptable".

They are concerned that measures to trap wrongdoers could lead to substantial difficulties and extra expense for people legitimately using coding techniques - which means everybody from banks to individuals sending confidential messages over

ish Interactive Media Associcould stifle innovation by threatened with unwanted spreading the regulatory net far wider than reasonable.

Mr Evan Cox, European Counsel to the BSA which represents most of the world's large software houses including Lotus Development, Microsoft and Novell, said: "The DTI's proposals could cripple the growth of electronic commerce in the UK."

consultative paper put for- member of BIMA which has pher coded transmissions them access to the key and ward by the Department of more than 200 members Trade and Industry in including Bates Dorland. March, the Business Soft- Futuremedia, Sahara, Philware Alliance and the Brit- ips and Sony, said: "In an age where personal data and information is increasingly

> the DTI's proposals are a major step backwards." The row is over encryption, a way of encoding electronic messages travelling over computer networks so they cannot be read by anybody other than the intended recipient. Governments

world-wide are concerned

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and unwarranted exposure.

from large-scale criminal organisations.

In the US, there is controversy over government plans to allow only encryption methods to which the security agencies hold the key. The DTI proposal envis-

aged the UK adopting a mandatory licensing scheme for "trusted third parties", companies to whom encryption users would be willing system. to entrust a copy of the key to their encryption methods.

In the case of suspected wrongdoing, the police or that their security agencies other agencies would be able

Mr Sean Nye, an executive are not able easily to deci- to obtain a warrant giving enabling them to read the suspect transmissions.

The BSA and BIMA point out that under the proposals all organisations wanting to offer encryption services in the UK would have to be licensed. They say that criminals would avoid the DTI scheme leaving honest suppliers and customers paying for a costly and inflexible

The attitude of the UK's new Labour government to encryption is not yet known. The party's election manifesto favoured a voluntary

Resea

Microsoft 1

scores in leadership struggle

secretary for Wales.

Attention before tomor-row's final round was wood, a former challenger

particularly difficult.

Opinion among the Redwood camp of predomi-nantly arch rightwingers and Eurosceptics was split. Some claimed that Mr Clarke's call for an inclusive approach, incorporating all strands of opinion, might win them over.

he had not taken the lead.

day night that prospective shadow cabinet members

One of the more incongruous likely converts to the Clarke cause was Mrs Teresa Gorman, one of the original Maastricht treaty rebels. "Kenneth Clarke is a big hitter in terms of parliamentarv activity." William Hague doesn't have any clear view about anything except that he wants to be all things to all

A jubilant Mr Clarke said

Former

The Conservative leadership was on a knife edge last night after Mr Kenneth Clarke, chancellor of the exchequer in the last government, surprisingly clung to his lead in the second ballot among the party's parliamentary members over Mr William Hague the former

Hague's 62.

Mr Redwood's team was meeting last night to deter-mine whether to transfer their allegiance to Mr Clarke, their ideological opposite, or Mr Hague, with whom personal relations are

With both teams urgently

trying to win him round, Mr Redwood suggested he had yet to make up his mind. Although Mr Hague was

ite by bookmakers, his supporters acknowledged disappointment and surprise that It appeared that Mr

was 'anyone but Ken'," said a former minister. "Now we've been so alarmed by Hague that it's 'anyone but

He added, in a clear rebuff

Mr Clarke's aides said he would spend the next 36 hours in one-to-one chats with waverers. They felt that support for Mr Hague was "peeling off".

chancellor

focused on Mr John Redfor the Conservative leadership, who was eliminated on coming third, with 38 votes to Mr Clarke's 64 and Mr

installed as odds-on favour-

Hague's statement on Mon-

would have to support his line on Europe had antagonised some voters. "Early in the contest it

after the results were announced: "I am the first choice of Conservative MPs and I have the overwhelming support of both the general public and Conservative party members.

to Mr Hague's more disciplinarian approach: "I will put together a broad-based team drawing on every strand of opinion within the party."

Microsoft in \$98m boost for high-tech

By Nicholas Denton

Microsoft, the US computer software giant, plans to invest a total of £60m (\$98m) in a boost for the high-tech sector in the Cambridge area, 80km north of London. The investment consists of £10m in small high-tech comnew computer science ciation with the university.

The company yesterday confirmed plans for its first research centre outside the US, and said it would seek through venture investments to profit from the innovation it stimulated.

"We think that our lab is going to stimulate a lot of as Stanford. entrepreneurial activity in Cambridge, and why only makes Cambridge a shouldn't we benefit from more attractive place," said Myhrvold, chief technology Mr Bill Gates, founder and chairman of Microsoft.

Microsoft will invest £5m

Electricity prices in Britain

fell by 7.4 per cent in the

year to April 1997 - the

steepest decline since priva-

tisation. It enabled the LIK to

improve its relative position

in the world, moving from

seventh to sixth cheapest in

National Utility Services, a

business consultancy,

showed that Italy - where

prices rose 5 per cent to 5.72p/kWh - had the most

expensive electricity. Austra-

lia - where the newly-

deregulated markets has

seen prices fall by 40 per

cent - comes out with the

lowest electricity prices of

just 1.76p/kWh. The price in

the UK was 3.75p/kWh.

The figures, produced by

a group of 15 countries.

capital fund supported by Mr Hermann Hauser, founder of UK companies such as Acorn Computer and Advanced Research Machines. It will also back individual start-ups.

Venture capital investing, undertaken by computer panies and £50m to build a Adobe Systems to stimulate demand for their products, is research laboratory in asso- a new departure for Microsoft, which typically takes

control of companies in

which it invests.

Microsoft, while not altering its policy, believes it can encourage in Cambridge the interaction of scientists and entrepreneurs that exists around US universities such "Entrepreneurial fever

that?" said Mr Nathan Mr Myhrvold. "We are betting on Cambridge, both in officer and a close adviser to investing £50m in the research centre and investing £10m in new ventures." The support for UK high-

Constant prices, pence per kWh.

protect small and medium-

sized businesses by refusing

to force electricity compa-

as Microsoft said the basic focus on aspects of computer parts of the world offer research lab it planned in science such as the catalo-Cambridge would receive guing, indexing and retrieval about £50m over five years and employ about 40 research professionals.

Meanwhile, Hitachi, the Japanese electronics company, yesterday announced a communications technology project which will take to £10m their total research spending in collaboration with Cambridge University. Microsoft's research in

will allow Microsoft to tap

scientists from European Union countries without of computer scientists and confronting US immigration rules, may be followed by other regional centres.

of digital content such as

The UK-based lab, which

Prof Alec Broers, vice chancellor of Cambridge University (left), and Nathan Myhrvold of

Microsoft at the London press conference to announce the US company's investment

pictures and text.

"It is very difficult to be successful if you scatter basic research represents yourself too thin," said Mr about 1 per cent of its devel-Myhrvold. "But developing

nuclear levy to 2.2 per cent

of household bills from 10

Mr Andrew Johns,

per cent a year earlier.

Microsoft's spending on

Electricity prices fall 7.4% in year effects of a reduction in the cern to Mr John Battle. energy minister, who has said that he wants consumer protection put at the heart of

regulation in

many opportunities. It would

be foolish for us to ignore

The Cambridge centre will

represent about a tenth of

Microsoft's fundamental

research effort. The number

engineers engaged is fore-

cast to grow from 200 to 600

in the next few years.

National Utility director. National Utility said that said: "Offer is failing to protect consumers' interest by the main reasons for the fall not becoming involved in in consumer electricity this issue. It remains to be prices were the two-stage seen whether the governreduction in the nuclear ment will intervene and levy, a restructuring in costs force the regulator to take a of electricity transportation, and further regulated reducmore active role." tions in the profits of electricity companies. The com-

Certain electricity companies were taking unfair advantage of companies by refusing to lower their prices to reflect a reduction in the levy on bills, said National Utility. The companies argue that contractual terms and conditions allow them to keep the additional income. The National Utility criti-

generation. National Utility, however, nies to pass on savings from companies passed on the cism is likely to be of con-

Over the last 12 months. the wholesale electricity market has appeared less risky than usual. Prices did not fluctuate as widely between summer and winter as in previous years.

bined effect of these changes

masked a 2.6 per cent rise in

Oxford academics back \$73m business school

By Richard Wolffe

Oxford dons [senior academics] yesterday voted overwhelmingly to back the university's controversial plans for a £45m (\$73.35m) business school, largely funded by Mr Wafic Said, the Saudi entrepreneur.

The vote clears the way for Oxford to fulfil a seven-year dream of competing with the world's best business schools with an expansion of management studies in a flagship building. After a tense debate in the university's congregation, or the balance of power.

parliament, dons approved revised plans by 342 votes to 55.

criticised Offer, the electric- the ending of the nuclear

ity regulator, for failing to levy. It claimed that prices

could have been lower if the

electricity regulator had

ensured that all electricity

Opponents of the business school had objected to Mr Said's donation on the grounds that it would seriously undermine academic free-dom. They particularly opposed the power of the business school's foundation to veto the appointment of the school's director of studies. Mr Said and his trustees will take four seats on the foundation,

equal to the university, with two independent businessmen holding Original plans to site the school on rejected in November, in a surprise blow to Oxford's executive leaders and the university's fund-raising campaign. The new plans site the school on a car park opposite Oxford railway station.

Mr Said said: "I am delighted that congregation has united behind the new site. It is a great opportunity to create a world-class business school that draws on Oxford's finest traditions of academic excellence and rigour.

"Oxford has traditionally helped to greenfield land were decisively fill the senior ranks of politics, the professions and science. I hope that in the coming generation it will also provide the brightest and the best of business to the benefit of independent trustees would the university, city and the

> Professor John Finnis, professor of law and legal philosophy, said: "We are faced with an odious dilemma. Either business studies are a sham academic affair, so the normal principles of academic autonomy do not apply. Or the

alternative is that this university no longer upholds the principles and practice of academic The university argued that the

counter Mr Said's influence on the school. It added that Oxford could not

afford to reject his donation of £20m a second time, and that a negative vote would discourage further donations.

Observer, Page 11

UK NEWS DIGEST

Peace moves stepped up

The British government yesterday stepped up its efforts to prevent bloodshed when the Northern Ireland Protestant marching season reaches its peak in three weeks'

Ms Mo Mowlam, Northern Ireland secretary, held talks with nationalist residents in Portadown, five miles from the site of Monday's murder of two policemen by the Irish Republican Army in Lurgan, Co Antrim.

The UK and Irish governments said Monday's killing of the Royal Ulster Constabulary officers - for which a man was being questioned yesterday - was designed to heighten tensions in the run-up to the marches. One Ulster Unionist MP described the situation across the

province as a "powder keg".

Ms Mowlam indicated that, although there was little sign of agreement with the Catholic residents in Portadown, discussions with them would continue. Mr Tony Blair, the prime minister, announced on Mon-

day that the government had suspended official contacts with Sinn Fein, the IRA's political wing, following the John Kampfner, Landon Editorial Comment, Page 11

■ LONDON PROPERTY

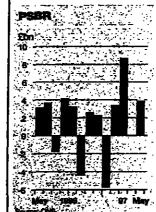
City bonuses 'fuel 25% price rise'

Prime residential property prices in London rose 25 per cent over the past year, fuelled by an upturn in domestic demand as a result of City bonuses, a new study shows. According to research by Knight Frank, the property consultants, prime London house prices rose 13.6 per cent in the half-year to June alone, substantially outperforming other parts of the country. Two-thirds of purchases over the past six months have been by UK buyers compared with 38 per cent in the previous six months, with a

large proportion coming from the City. Foreign purchasers have come mainly from the Middle East, continental Europe and the Far East, with the latter often resulting from property exhibitions in Hong Kong and Singapore. Ms Lorna Vestey, partner at Knight Frank, said demand remained very strong but growth Mark Suzman. London should slow.

■ BORROWING FIGURES

\$11bn boost for government



The government could cut £7bn (\$11.4bn) off its deficit this year as the state of public finances is continuing to improve, according to the latest borrowing figures released yesterday. Government borrowing is 35 per cent lower this financial year compared with 1996, thanks in part to a fall

in spending by government departments. Departmental spending was 1 per cent lower last month than the same month last year. May was also the third month in a row that departmental spending has fallen year-on-

year. The Treasury said the difference between government spending and tax income in May was £3.955bn, higher than forecast and above April's deficit of only

E76m and £3.2bn in the same month last year. Analysts at HSBC bank in London said the underlying public sector borrowing requirement (PSBR) this year was already £3bn below last year's figure. Mr Jonathan vnes, UK economist at HSBC, said hefty undershoot of this year's official PSBR forecast of 219hn remain very good. Richard Adams, London

■ INSURANCE

General profit lowest since 1993

UK insurance companies made a general trading profit on their worldwide businesses of £3bn (\$4.89bn), or 8.6 per cent of premiums, in 1996 – the smallest since 1993 and

nearly 30 per cent down on the 1995 figure of £4.3bn. But the figures, from the Association of British Insurers, also show that worldwide net long term premium income from pensions and life business rose 18 per cent in 1996 to a record £66.4bn. The figures confirm recent mar-

Mr Mark Boléat, director general of the association, said: "After four years of improving trading results both in absolute terms and as a percentage of premiums, 1996 looks to be the turning point in the infamous insurance cycle". He said that to maintain profits premiums would have to rise or there would need to be a reversal in the

recent upward trend in claims. Underwriting losses in 1996 were £1.865bn, compared with £624m in 1995. In the UK, losses on motor underwriting jumped from £80m to £633m as a result of more claims Jim Kelly, London

■ RETAIL CLOTHING

Museum in lingerie design deal

The Victoria & Albert, the decorative arts and design museum in Kensington, London, is stretching its brand into underwear sold by Marks and Spencer, the UK's largest clothing retailer.

Seventeen flagship M&S stores in the UK and continental Europe will stock the lingerie as part of a V&A collection of clothes and tolletries from August this year. The initiative is aimed particularly at the tourist market, and is an extension of the programme of licensing goods to bear the V&A brand already run by V&A Enterprises, the museum's commercial arm, which has a turnover of £90m (\$146.70m) a year. The arrangement with M&S is through Coats Viyella, which is one of the store's main suppliers and one of the V&A's licensees. Alison Smith, London

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Private sector looks for underground profit There is international interest in the possible sell-off of

London's ageing Tube network, says Charles Batchelor

crumbling tunnels and regularly "out of order" escalators might be expected to deter all but the most foolhardy or optimis-

tic of investors. But the privatisation of the bus industry in the mid-1980s, the break-up of British Rail over the past two years and private sector involvement in other urban light rail networks has created a deep pool of potential bidders for a possible sell-off.

works with extensive experience of taking advantage of commercial property and other private sector investment opportunities alongside public sector transport systems. French companies also have invested heavily in former publicly- owned British utilities includ-

ing commuter rail franchises.

International interest could come

from south east Asian operators of

mass transit and light rail net-

"Several private sector companies have said they see this as an opportunity," says Mr Peter Ford. chairman of London Transport. The approaches have come from companies in the rail, civil engineering, rail equipment and finan-

cial sectors.

country.

In spite of a £1.25bn (\$2.03bn) backlog of investment spending, which has led to increasingly frequent breakdowns on the Tube network, the system's operating performance has been improving. The operating surplus earned in the year ended last March rose "substantially" on the £192m surplus for 1995-96, and a record 2bn passengers were carried. Mr Ford is to unveil the 1996-97 figures tomor-

spending on the renewal of fixed assets, the Tube made an operating loss of £212m in 1995-96. Although this was lower than the £308m recorded a year earlier, the Underground remains heavily dependent on government grants. These

are set to fall to £150m in 1999-2000. The figure on which critics of privatisation are likely to focus is the gap between the proceeds of any sale and the value of assets being sold.

amounted to £900m last year but

The former Conservative government calculated that a sale could realise between £600m and £1.2bn. The Tube puts a value of £7.2m on its trains and infrastructure after depreciation. Many systems will

However, after depreciation and have to be upgraded to make the Tube attractive to travellers.

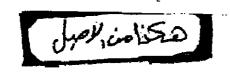
"A buyer would have to calculate carefully the liabilities and know what he would have to spend," says Mr Wyn Ellis, analyst at SBC Warburg. "But if the quality and reliability of the system can be improved, there must be a lot of scope for increasing passenger

The level of private sector interest would depend on precisely how the new Labour government decided to sell the Tube. It could remain an integrated system, with the buyer taking over the infrastructure - track, tunnels, stations and electrical systems - as well as running the trains. Or, like the overground rail network, the two

urgency of Labour's plans, revealed in documents left by Mr John Prescott, deputy prime minister, in a BBC television studio, has surprised transport groups and the

The bus, coach and shipping companies that have already taken over rail franchises would be strong candidates as buyers. although none has experience of managing infrastructure. With growth in the domestic bus sector slowing, companies such as Stagecoach, FirstBus and National Express, the coach group, are expected to consider the Tube closely.

Several of the transport companies that acquired London commuter rail franchises, including Connex of France, or bought parts of the formerly publicly-owned London Buses network, could face



plaining that a Mini is

not as good as an Aston Martin; given the difference

in price, that is inevitable.

Similarly with Channel 5: given that

the money spent on programmes is

only a fraction of that spent by FTV, Channel 4 and the BBC networks, you cannot expect it to perform in the with most of these C5 programmes you same way. However, the Mini is widely admired for being good at what it was designed for, and it seems reasonable to ask whether the same goes for Channel 5. You might doubt it, given that its average audience share during its first 10 weeks has been 2.6 per cent (though according to the most recent BARB figures the new channel is now managing nearly half as much again, having leaped up to a 3.7 per cent

Spend a week concentrating on C5, and do you find any programmes which compare favourably with what we are used to on the four old terrestrial channels? Yes. Two. Rvery week night at 7.30, C5 shows a half-hour wildlife programme. Most look very familiar: lions crunching their bloody way through an antelope, sea eagles snatching fish out of the water, and so on. No doubt it is a shame that we have become so blasé about such technically astonishing stuff, but we have. Blame David Attenborough or Anglia's Survival, but yawn and say "Yes, yes, we know how hyenas/springboks/elephants behave Last week there was one edition, "How Green Is My Quarry", which was strikingly different. It showed how, in

seven years, a huge quarry which. after being excavated by a cement works looked like the surface of the moon, was transformed into a wonderful green nature reserve stuffed with fish, weaver birds, heron, and much more. It made a fascinating and heartening 30 minutes.

Then, early on Sunday eve What's The Story proved to be one of the best attempts for years (and there have been many) at a current affairs magazine programme. Among this week's topics were the buying of London property by Hong Kong Chinese who, it seems, are snapping up new Thameside flats before they are off the drawing board, sometimes using a Feng Shui guide to advise on the best investments: the row over attempts to legislate for different types of rape; and the odd story of a charity

set up by singer Michael Jackson which seems to have given remarkably little of its income to the supposed heneficiaries.

The rest of the week's viewing was a depressing experience because there appeared to be such a dearth of original thinking. C5 seems intent upon following all the most trite and tiresome trends already pursued by others. Channel 4 shows huge quantities of American sport, so C5 does the same; and for some reason (covering the more frequent American commercials?) American sport necessitates even more of that smart-aleck studio chat than usual But then studio chat must constitute one of the largest elements in the Channel 5 output. Turnstyle is a studio chat show about sport. Every evening at 7.00 there is a balf-hour programm of showbiz chat in which a male and a female presenter, with a high stool and a fixed smile apiece, introduce clips from forthcoming movies (free puffs, in other words, consisting of the sort of high-budget footage which C5

cannot afford to produce) interspersed with gossip column tithits. This is not the only C5 programme which resorts to reading out headlines and stories from tabloid newspapers, a pitiful form of parasitism.

The channel's American content is high, though probably not higher than C4's, but while C4 shows some of the best programmes produced in the US, those on C5 tend to be tacky. Fame And Fortune looks like a "Hello!" magazine of the air. Last week it followed Linda Gray, faded star of Dallas, as she went on African safari immediately after a programme all about African wildlife. UFO on Sunday was a "documentary" about the American craze for alien abduction, which was treated as though it were as real as a railway engine. Barmy tales of Martian kidnapping were intercut with fanciful shots of little grey men with black almond eyes at a level only just above the subliminal. Saturday's 10.50 pm movie (the second of four shown nose-to-tail between 9.00 pm and 3.55 am) was the unpleasantly

violent and critically slated Vigilante

Family Affairs, the soap opera shown at 6.30 Monday to Friday with a two-hour omnibus on Sundays, makes Coronation Street look like the pinnacle of sophistication. The set piece units (marital row, grandson/ grandfather bonding, pub row) are so mechanical, stilted and lacking in humour that the whole thing feels remarkably like Victoria Wood's magnificent soap satire, Acorn Antiques. As with the new cable channels which can stay in busine only by entting budgets not to a half or a third of those at the old terrestrial networks but to a 10th or a 20th and sometimes less, C5 includes plenty of quizzes and game shows in its

Wowfabgroomy is yet another quiz about pop music and modern lowbrow culture; what was the name of Dick Emery's female character who said "Ooh, you are awful but I like you"? One of the six contestants - clearly a round peg in a round hole - knew the

answer was Mandy. But how many of the seven participants in this programme could viewers identify? I knew Bank Marvin from The Shadows and recognised another as a self proclaimed lesbian stand-up comedian whom I had seen on a late night cable show. The rest were ciphers. Whittle is a general knowledge quiz played each week day at 6.00 pm in which a large number of competitors is whittled down by such posers as "Which has most legs: three spiders, two fish, six men or a mouse?"; one woman opted for two fish. Two thought Bob Dylan's real name was Dylan Thomas. Tibs And Fibs is a late night "medical" quiz chaired by Tony Slattery, whose manner puts you in mind of Murray Walker on uppers. It is hard to detect what those at C5

might think its Unique Selling Proposition could be. Most of the content looks like the worst of what we already had elsewhere, the only difference being the stripping and stranding of the schedule. That ensures that you get the same sort of thing at the same sort of time each day. But does rubbish become more attractive just because you know you can see it every day at a particular time? A week's viewing suggests that much of what C5 is screening is not only cheap, but cheap and nasty: not only not an Aston Martin, but lacking the charm and chutzpah of a Mini, too.

Theatre

Matters of life and death

death at the box office, or so the Hollywood financiers predicted of Four Weddings and A Funeral. Ben Brown steers clear of the problem with his first full-length play, the gently amusing All Things Considered. You would never guess that the lightly punning title actually refers, in part, to the various ways in which the central character spends the entire play trying to commit suicide.

David Freeman (Christopher Godwin), a 50-year-old, divorced, childless philosophy professor regards his work as complete, and has taken the entirely logical decision to end his life. The trouble is, he keeps being interrupted. It is a great set-up and Brown builds tension nicely as a constant stream of friends and acquaintances turn up for help with their increasingly ludicrous private matters of life and death.

Unfortunately, there is a peculiarly second-hand feel to the device. Simon Grays's Otherwise Engaged concerns a man's attempt to spend an evening listening to Parsifal only to be interrupted by similar trials and tribulations of friends and foes. The plays even share gags of embarrassment about incriminating answering machine messages

As for the death question, Christopher Hampton's academic tale The Philanthropist opens with a spectacular, albeit accidental, suicide. Brown lacks the venom of the former and the dazzling wit of the later.

Even more pertinently, his play comes garlanded with praise from Alan Ayckbourn, who built the entire second act of his early masterpiece Absurd Person Singular around a character whose foiled and increasingly farcical suicide attempts are powerfully funny and painful.

Brown has an impressive command of structure, but that too feels old-fashioned. The action takes place on Michael Holt's tastefully decorated college sitting-room set, into which a motley collection of characters are neatly introduced. But, thriller-style, they all fall too schematically into nicely argued

philosophical debates around death. The script elicits far more laughs than you would imagine via misunderstandings, and every now and then you sense the spirit of Joe



Michael Lumsden and Christopher Godwin in 'All Things Considered'

irons out much of the comedy. It is all too middle-of-the-road, too safe, with the result that the actors struggle (usually in vain) to stop their characterisations descending into

Interestingly, it is Freeman, the least willing to pour out his feelings, who is the most successfully realised

but Alan Strachan's staid production siderable comic skills to flesh out the love-lorn librarian (although even she has to fight against the production, which saddles her with an all-too-obvious tweed skirt and sensible shoes). Michael Lumsden has great charm as a lecherous lecturer, but he is forced to signal his

intentions to an absurd degree.

Orton struggling to break through, character. Susie Blake uses her con- raise the comedy level and release some much needed energy into the proceedings; but for all Brown's promise and carefully plotted surprises, the evening, if not his hero, is killed off by predictability.

David Benedict

Hampstead Theatre, London NW3 Driving the pace harder would until July 5 (0171-722 9301)

he most succinct description of Lucinda Coxon's Wishbones - "set in a small town in Derhyshire Abu Dhabi and Ostia" and directed at the Bush by Simon Usher - is "a play of

two halves." The first hour of the evening is primarily given over to low-key establishment of the five characters and their relationships. Diffident middle-aged Colin (Gawn Grainger) and his vaguely dissatisfied wife Gwen (Madelaine Newton) find their lives complicated by the return from the Emirates of Gwen's friend Audrey, who proceeds to trot after her like a spaniel. The circle expands to take in Alan (Kevin McMonagle), a furniture restorer with an off-on commission from Gwen who is haunted by the drowning of his nephew, and Mary, the disturbed, too-sensitive girlfriend of the deceased lad. Usher takes the same directorial approach as he has done with Richard Cameron's plays which, at this point, Wishbones closely resembles (an impression bolstered by the casting as Mary of Jane Hazlegrove from Usher's production of attachment, frustrated 743 3388).

Theatre Love triangle goes into overdrive

Cameron's The Mortal Ash); he slowly weaves moods, silences and implications their head and trusts in the play and wellpitched performances to develop matters at a natural

nfortunately, in the second half Coxon gives things not so much a little push as a series of hefty shoves. During and after the central event, the annual dedication of a decorative cover for a local well (beautifully dressed by Imogen Jenkins), we are served up on a platter everything previously only hinted at: a love triangle which operates in all three directions, a cross-generational

homosexuality of both flavours, infanticide and the sudden acquisition by just about everyone of a mastery

of metaphysical metaphors. Incidents and tensions are treated with an explicitness entirely at odds with the foregoing. Where previously the characters had seemed somewhat at sea in their lives, now it is the actors who must grope for a plausi ble through line.

They generally continue in more or less the same register which, as a result, varies from nigglingly to wildly inappropriate - the most severe victim being Hazlegrove, who has somehow to engineer a transition in Mary from a kind of hysterical autism to cool. eloquent emotional manipu-

lation. True, the seeds of all these developments have been sown in the first half, but the fruits they bear are of huge and misshapen proportions for such a diminutive dramatic field.

Ian Shuttleworth

At the Bush Theatre, Loudon W12, until July 5 (0181

An all-women line-up for the Turner Prize

s predicted, this year's Turner Prize short list is indeed all women but not perhaps the women that might have been expected. No Tracey Emin, no Sarah Lucas, those bad girls who have hogged the headlines with their recent solo shows. Not even Cathy de Monchaux, whose current show at the Whitechapel had her hotly tipped as a

contender. Instead the indees chose Angela Bulloch, 30, a cool conceptualist; Gillian Wearing, 33, who works with video to explore people's secret inner lives; Cornelia Parker, 40, who famously exhibited actress Tilda Swinton asleep in a glass case; and Christine Borland, 32, who works with the language of forensic science. It is a

selection which recognises the innovative work of the younger generation while also acknowledging Parker, much admired by her peers but certainly not part of the Young British Artists brat

The indges at the press conference art critic Marina Vaizey; Penelope Curtis, curator of the Henry Moore Institute, Leeds; and Tate director Nick Serota. who had made the selection along with Jack Wendler from the Patrons of New Art and Lars Nittve, director of the Louisiana Museum in Denmark, were keen to deny any political correctness in the all-woman list. Over the past ten years or so, they said, women's work had come more and more to the fore, and the all-woman list

was merely a reflection of the present state of the art world.

Brave gestures are no longer needed - women, from Agnes Martin and Marina Abramovic to Rachel Whiteread and Sam Taylor Wood, have just carried off the prizes at the Venice Biennale and now will fill the Tate this autumn. That women's contribution to visual art is finally being not just recognised but apparently taken for granted is a breakthrough indeed.

Lynn MacRitchie

The Turner Prize is sponsored by Channel 4. Work by the shortlisted artists will be on show at the Tate from October 29 -January 18 1988.



■ AMSTERDAM

Koninklijk Theatre Carré Tel: 31-20 6 211 211 Sleeping Beauty: choreographed by Mats Ek to music by Tchaikovsky, performed by the Culiberg Ballet (part of the 1997 Holland Festival); Jun 21.

EXHIBITION Stedelijk Museum Tel: 31-20-5732911

 Around Europe: exhibition to mark the meeting of the European Council in the city this month, featuring work from 15 member states of the European Union. Artists represented include Mondrian, Klein, Baselitz, Picasso Ernst, Giacometti, Bacon, Chagall, Long, Van Gogh, Leger, Lüpertz, Dubuffet and Fontana; to Aug 24

ANTWERP EXHIBITION Openiuchtmuseum voor Beeidhouwkunst Middelineim Tel: 32-3-8281350 Anthony Caro: retrospective display of work by the British sculptor, whose work has had a great influence on contemporary artists, notably Tony Cragg; to

■ BARCELONA EXHIBITION

Fundació la Caba Tel: 34-3-4588907 Amelia Peláez, Frida Kahlo, Tarsila do Amaral: exhibition examining the roots of Modernism and contemporary art in South America through the work of the three female artists, 100 works on display establish the similarities and differences between the women, the contact they had with European movements and their own journeys to discover the roots of their countries; to Jul 27

■ BERLIN

Deutsche Oper Berlin Tel: 49-30-3438401 Le Nozze di Figaro: by Mozart.
 Conducted by Stefan Soltesz. Soloists include Lenus Carlson, Margaret Marshall and Flonnuala McCarthy: Jun 21

■ BILBAO EXHIBITION

Museo de Bellas Artes Tel: 34-4-4419536 Del vedutismo a las primeras vanguardias: display featuring 40 paintings and four sculptures from the collection of Baroness Carmen Thyssen-Bornemisza,

including works by Canaletto, van Gogh, Picasso, Kirchner and Kandinsky; to Jun 30

■ COLOGNE CONCERT Kölner Philharmonie

Tel: 49-221-2040820 Christian Oelze: performance by the soprano, accompanied by the plantst Irwin Gage. The progamme includes works by Schubert; Jun 22

EXHIBITION Museum für Ostasiatische Kunst Tel: 49-221-9405180 Unterwegs im Alten Japan: exhibition examing the history of Japanese people as travellers abroad. From as early as the 17th century Japanese citizens travelled on official missions, for business and pleasure; to Jul 13

DRESDEN

OPERA Sächsische Staatsoper Dresden Tel: 49-351-49110 La Bohème: by Puccini. Conducted by Klauspeter Seibel. Soloists include Birgit Fandrey, Eva Kirchner and Mario Carrara;

LONDON EXHIBITION Whitechapel Art Gallery Tel: 44-171-5227888 Cathy de Monchaux: display of work by the British sculptor; to

Jul 27

THEATRE Cottesioe Theatre

Tel: 44-171-9282252 Closer: written and directed by Patrick Marber. The cast includes Sally Dexter and Ciaran Hinds; to Jun 28

MADRID EXHIBITION

Museo Thyssen-Bornemisza Tel: 34-1-4203944 George Grosz: exhibition focusing on the years the German Expressionist painter and graphic artist George Grosz (1893-1959) was working in Berlin. The exhibition features some 20 oil paintings, approximately 100 works on paper, notebooks, illustrated books, and other objects; to Sep 14

■ NEW YORK EXHIBITION

MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400 The Stenberg Brothers: Posters of the Russian Avant-Garde: the first retrospective of the graphic work of Vladimir and Georgii Stenberg, who began designing posters for the burgeoning Russian cinema in the mid-1920s. Their designs combined many aspects of the Constructivist movement with montage techniques borrowed from film; to Sep 2 Museum of the City of New York Tel: 1-212-534-1672 New York Gets Married: exhibition celebrating the wide variety of wedding rituals through

the display of clothing. memorabilia, works-on-paper and decorative arts objects; to Sep 21

The Metropolitan Museum of Art Tel: 1-212-879-5500 Ivan Albright: Magic Realist: retropective of work by the American artist, whose style of painting is so exact in its depiction of detail that at times it seems to transcend reality;

JAZZ & BLUES Avery Fisher Hall

Tel: 1-212-875-5030 Fina Estampa: performance by the Brazilian band, featuring Caetano Veloso on vocais and guitar, Jun 21

PARIS **EXHIBITION** Musée Camavalet

Tel: 33-1 42 72 21 13 Nourelev: exhibition devoted to dancer/choreographer Rudolf Nureyev. The display, which draws upon Nureyev's personal collection, features costumes. posters, photographs, personal belongings - including furniture, paintings and prints - and other objects painting a picture of his artistic and private life; to Jul 27 Musée du Louvre Tel: 33-1 40 20 50 50 Exposition du Centenaire de la Société des Amis du Louvre: display marking a centenary of donations by the Friends of the

Louvre, featuring the first work

Baldovineti's "Vierge à l'Enfant" -

given to the Museum -

and pieces by de la Tour,

Quarton, Hey, Fouquet and Lieferinxe: to Jul 21

■ PHILADELPHIA **EXHIBITION** Philadelphia Museum of Art

Tel: 1-215-763-8100 The Hands of Rodin: A Tribute to B. Gerald Cantor: display of 60 sculptures in bronze and plaster; to Jun 22

■ STUTTGART EXHIBITION Staatsgalerie Stuttgert

Tel: 49-711-2124050 Art Games: exhibition examining the work of the Fluxus movement, founded in 1961 and including Nam June Paik, Kate Millet, La Monte Young, George Brecht and Yoko Ono among its members. In keeping with the diverse interests of the group, the display features work using a wide range of media; from Jun 22 to Sep 22

■ VIENNA CONCERT

Musikverein Tel: 43-1-5058681 Orchestra of Nations: with conductor Justus Frantz and cellist Rostropovich in works by Smetana, Schubert and Dvorák;

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Edward Mortimer

Overkill in Africa

As political failure leads to moral indifference, genocide in Africa no longer sparks world outrage or even attention

have frequently been identi-

fied among his forces. Many

Zaireans of all ethnic

groups rallied to his cause

to get rid of the Mobutu

regime but the war was

also, and perhaps mainly, a

continuation of the struggle

between Hutus and Tutsis

Those of the victims who

are refugees are supposed to

be under the protection of

Mrs Sadako Ogata, the UN

High Commissioner. Her

office (UNHCR) is mandated

to look after refugees and to

ensure that they are not

sent back against their will

to the country from which

they fled. But that has now

become almost the least of

its concerns. UNHCR,

together with various volun-

tary agencies, has been

struggling to repatriate as

in Rwanda and Burundi.

diers loyal to Mr Kabila". "The stories." wrote Mr Pomfret, "along with mass Congo. The corrupt regime of Mr Mobutu Sese Seko is graves and accounts of witat last consigned to the nesses and victims in eastdustbin of history. Mr Laurern, central and western ent Kabila, the new presi-Congo, paint a horrific pic- irrelevant in this war, but dent, is the latest recruit to the club of new-style Afri- ture of atrocities. . . Taken together, they suggest the can leaders - tough but massacres were not isolated enlightened and Englishinstances of unruly troops, speaking - whose rise has ended the long civil wars in but rather part of Mr Kabicountries stretching from la's war of liberation." Eritrea to Rwanda.

One word is conspicu-What is wrong with that ously missing from Mr widely accepted account of Pomfret's report: a word recent central African histhat reporters are rightly reluctant to overuse - and tory? There is the implicit governments are reluctant equation of enlightenment to use at all, since almost with the English language. French policy in Africa has been unenlightened, giving an international convention obliging them to intervene uncritical support to dictaand halt "genocide" whertors so long as they speak French and are amenable to ever it occurs. French influence. English-Yet what other word will

do when, in the words of Amnesty International, civilians, mostly Rwandese Hutu refugees and (ex-)Zairean Hutus, are reported to have been deliberately and arbitrarily killed", while from other ethnic groups suspected or known to be sympathetic to the Hutus and others thought to be hostile to the Tutsis have also been targeted".

Mr John Pomfret, the reporter, described how, in mid-April, the inhabitants of a village called Kasese, urged on by military officers loyal to Mr Kabila, "tore through a camp of refugees, most of them Rwandan Hutus, hacking and spearing men, women and children". Armed Hutus fought them off. But "a day later. Mr Kabila's rebel forces stepped in and, according to survivors and local residents, ravaged the 55,000 refugees for seven hours, firing wildly into the encampment"

speaking policymakers and

commentators should

neware of doing the same.

Unpleasant facts keep

coming to light about what

Mr Kabila's Tutsi support-

ers have been doing to

Hutus (both Rwandan refu-

gees and native Congolese)

during their sweep from the

Rwandan border to Kins-

hasa, Congo's capital, which

they reached last month.

Perhaps the most detailed

and chilling report appeared

in the Washington Post.

Hundreds died and were buried in a mass grave. And this was "just one of numerous tales of mass killings. . . carried out by solers, but because of their ethnic identity. Nationality is ethnicity is everything. Mr Kabila's rebellion started last autumn as a revolt of Zairean Tutsis and has been consistently supported by the Tutsi-dominated government of neighbouring Rwanda. Rwandan soldiers

"thousands of unarmed "Congolese [ex-Zaireans]

Kabila: chilling stories have emerged about his supporters

That means the victims many Rwandan refugees a it can, in the hope of saving were chosen not for their them from an even worse political views, nor even fate if they stayed in Congo. because they were foreign-

Oxfam, one of the volumtary agencies most active in the area, estimates the death rate among the refugees who have returned to Rwanda at 60 per 10,000 per day. But among those who remained in Congo the estimated death rate from pre ventable causes (not including homicide) was five times higher than that until about three weeks ago. By then there were "no major concentrations left". though some 200,000 refuremain unaccounted

"We believe this death rate to be a world record," says Mr Nicholas Stockton Oxfam's emergencies direc tor. Yet in the UK at any rate, there has been mini mal newspaper coverage and no major appeal for funds as in previous human itarian crises. "Human life," concludes Mr Stockton bit terly, "is deemed not worth saving any longer.

The reason is, of course, that the world's conscience is already numbed by other atrocities and especially by the genocide against the Tutsis which the Hutu regime in Rwanda organised before it fled in 1994. The armed men who unsuccess fully defended the refugees in Congo this spring were. in all probability, among those who butchered defenceless Tutsis in Rwanda three years earlier.

The world failed to stop that genocide and failed afterwards to weed out its perpetrators from among the refugees kept alive by western aid on the Rwanda Zaire frontier. Instead it allowed armed men to control those camps, to use them as bases for raids back into Rwanda, and then to attack Zairean Tutsis as well. So now, when the survivors of one genocide resort to another, the world prefers not to know.

LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SE1 9HL We are keen to encourage letters from readers around the world. Letters may be fixed to +44 171-873 5988 (please set for to 'fine'). e-mail: letters editor@ft.com Published letters are also available on the FT web site; http://www.FT.com
Translation may be available for letters written in the main international languages.

Stet confident global ambitions can pay off

From Mr Guido Rossi. Sir, In my language, Italian, we refer to a particular kind of shower which alternates waves of hot and cold water as a *doccia scozzese*, a 'Scottish shower".

I feel a similar sensation as I write. In your article "Troubleshooter was parachuted in" (FT Telecoms survey, June 11), I am the subject of a flattering profile which very kindly says I have made "remarkable progress" in helping to assist Stet/Telecom Italia to become, among other things, more international. For this I am profoundly grateful. The task we face is hardly

simple, and the encouragement of the Financial Times means a great deal.

However, in the same edition, the Lex column suggested that we should put these "extravagant tastes" behind us. concentrate on acting as a local distributor in Italy for the services of others, and simply give the cash we generate to our shareholders rather than invest it abroad. I think our shareholders have little cause for complaint. The overall market capitalisation of Stet has risen by 70 per cent in just seven months.

Though I understand that the energy we are unleash-

ing within Stet/Telecom Italia may appear to Lex to be simple "rushing around". I assure you we are proceeding according to a concrete strategy intended to take our international revenues from telecommunications services, which were roughly 9 per cent of sales last year, to around 20 per cent of sales by 2000. That is not just our personal feeling. Analysts say such a strategy can pay off As far as the Serbian deal is concerned. I would note that our evaluation has

been done discounting cash flows with an appropriate (suggested by our adviser,

UBS) country risk. Just to

give you a comparison, the price paid for the purchase of the stake of SPT refers to a value that is 12.9 times the operating cash flow.

We already are a global player in a global market. We intend to increase our role abroad. The sharp growth in value the market attributes to our company suggests our shareholders are inclined to agree with me that this is not such a wrong-headed ambition.

Guido Rossi. chairman, Stet/Telecom Italia. Corso d'Italia. 41-00198 Rome, Italy

Australia's climate stance too negative

From Ms Ute Collier: Sir, Australia has been one of the countries most obstructive to progress in the international climate negotiations, hence it comes as no surprise to hear that the EU's climate change policy is being attacked by an adviser to the Australian government ("Brussels policy on climate change

attacked", June 13). The EU's position, while far from perfect, is nevertheless the most progressive proposal on the table from any of the leading emitters. Dr Brian Fisher, the academic employed by the Australian government, bases his arguments on the results of various economic modelling exercises, the latest of which claims that it would cost Australia 22 times as much to meet a 15 per cent reduction target than the

EU. However, these model results are based on assumptions which are fundamentally flawed, such as Australia already having a super energy-efficient economy. In reality, the energy intensity of the Australian economy has only improved by about a third of the OECD average in the last 25 years. Meanwhile, despite a good poten-tial (especially for solar power), the role played by renewable energies is negligible. The Australian government fails to see that improving this performance

The EU is right in insisting that other developed nations should follow its example. Emission cuts will have to come from all industrialised countries, which

and cutting emissions would

be in its own interests eco-

nomically and environmen-

carry a disproportionate burden of past and current emissions. Industrialised countries can only start arguing for emission reductions in developing countries when they have put their own house in order. Here Australia has a long way to go. The Australian government should stop trying to undermine progress in the climate negotiations and remember that climate change is likely to have substantial negative impacts on the Australian continent, such as worsening water shortages, as well as threatening its greatest tourist attraction, the Great Barrier

Ute Collier, senior research officer, Friends of the Earth, London N1 7JQ, UK

Missing the vision

From Professor Jagdish

Sir, Mr Harry Freeman, the Washington free-trade lobbyist, in reacting furiously (Letters, June 13) to my article ("Short on trade vision", June 3) betrays the two faults that bedevil the formulation of a practical yet visionary trade policy.

First, he accepts political reality as he finds it in Washington, condemning my suggestions as "political insanity". Statesmen differ from politicians; the latter accept political reality as they find it, the former reshape it constructively.

Second, he deplores any thing visionary, denouncing "empty calls" and applauding "action" instead. Please! He underestimates the role of symbols and ideas. He also forgets that it is not enough to go around fixing potholes as you find them: you also need a road map.

Jagdish Bhagwati, professor of economics and political science, economics department, Columbia University, New York, NY 10027,

Spin-offs would improve political stock

From Mr J.W. Warner Sir, There is very rarely reason to doubt the fundamental analysis of Lex. but may its article on the Tory leadership have missed a point ("UK Conservatives.

Markets often reward companies brave enough to cut weak divisions with a substantial rise in their

share price. Might not the Tories in 2002 without Gorman, Cash. Marlow et al be equally as

attractive to investors as. say, NatWest without NatWest Markets.

J.W. Warner, Warner Associates. 40 Dunkel Road. Bournemouth BH3 7EW, UK

Personal View • Steven Rattner

Midsummer madness

The euro should be delayed until Europe comes to its senses on economic policy



have watched as the meanderings of Europe have grown more and more curious. Now, as evidenced by France's parliamentary poll and the post-election manoeuvrings, continental Europe appears to have gone conomically bonkers.

Most bizarre is the embrace by France of statist ideas that lost all credibility in the US more than a decade ago. Not even the most fringe element in America today would argue that more public sector jobs, larger budget deficits and an interventionist state would constitute a proper tonic for slow growth and lagging

Almost as surreal have been the efforts in Amsterdam and elsewhere to con-tinue to push the euro through in the face of weakened commitment to the Maastricht criteria and uncertain obeisance to the terms of the French left. The euro would probably not bave worked under preelection circumstances, and Europe is now far from those

emingly halcyon days. It is time to put the euro out of its misery. The project should at least be postponed until Europe comes to recognise the fantasy of believing that a unified currency and a set of arbitrary fiscal benchmarks could turn a variety of inert economie into a match for the vibrant

American colossus. For all the countless trees that have been felled to publish thoughtful words about the euro, most Europeans remain oblivious to what has made the US experience successful and why the euro Country like cannot succeed. True, as the euro obsession implies, the US success is partly about disciplined fiscal and monetary policies that have driven our budget deficit to below 1 per cent of gross But equally important, US

flexible economy that prizes innovation, that taxes and regulates less, that permits labour market terms and conditions to adjust freely, that allows regional disparities to be diminished by the free movement of labour and capital, and that affords its immigrant and minority workers the chance to make

their best contribution. Furthermore, the system funds its growth through highly liquid financial markets that attract capital by promising investors the opportunity to profit - or lose - without the risk of government changing the rules. By itself, the euro would

distract Europe while addressing few - if any - of these challenges. A single currency would bring certain efficiencies by eliminating foreign exchange mechanics in Europe. It could challenge the dollar's role as the world's reserve currency, though the value of that is not wholly apparent. It would lead perhaps to a one-off demand for euros that might temporarily improve the euro/dollar exchange rate, but this would soon return to funda-

mentals. The French have not been alone in their confusion. Countries throughout Europe have dodged the real issues in their rush to meet the Maastricht criteria, rather like Cinderella's stepsisters trying to jam their oversized feet into the glass slipper. Only the UK seems to have retained a modicum of sense, maintaining a careful distance from the euro panic, improving its management of monetary policy and

When only the euro remains, what will happen when the populace of a France decides not to bear the

pain any longer?

ment for some new blood. Most worrying, the French

elections provide a preview of the social and political consequences of adopting the euro in a vacuum. Monetary integration alone cannot possibly force the "convergence" of participating economies. National governments retain control of a huge array of policies, including over tax and spending. Having a euro would not prevent the French from going down the road on which they are now

Even as 1999 approaches European states continue to constrate their readiness to fiddle the numbers, as the recent attempt to refinance gold reserves by the normally sensible Germans shows. If countries are willing to go to such lengths just to join, imagine what liberties might be taken later.

Even with genuinely integrated policies, the experience of the US suggests that competitiveness might not always converge. Take our experience with productivity, which increased rapidly in the 1950s and 1960s, slowly in the next two decades, and may have risen somewhat faster in the 1990s. But we know neither why productivity slowed nor even how fast it is growing at the moment - much less how government policies

Without convergence of competitiveness, different growth rates will inevitably develop. Without monetary and exchange rate policy to redress these imbalances, the consequences of adjustment will be magnified: rising unemployment, enormous downward pressure on wages, loss of investment to more competitive countries and the like.

France provides an important lesson of why the euro cannot work on its own. Once historic currencies have been abolished and only the euro remains, what will happen when the populace of a country like France decides not to bear the pain any longer? The answer is a move to expansionary policles such as those now being adopted by Paris. This would be destructive.

Proponents of the euro have argued that a single

currency will help bring about greater political integration. In that sense, the French elections also provide an important lesson by showing, if nothing else, that when the going gets tough. political convergence likely. In reality, the euro has a chance of succeeding only once true political integration exists.

Supporters of the euro continue to argue that the US has had one currency and yet has worked through differences in regional growth rates without huge dislocations. That comparison should be recognised as weak. For two centuries, the US has had a strong central government with a dominant role in formulating fiscal and regulatory policy, easy migration of labour, few language or regional cultural differences and a variety of federal programmes to ease the pain when a region goes

The US experience holds other lessons for Europe as well. We have learned over the past two decades, for example, that in such a fastchanging world, categories of money supply hold so eral Reserve has embraced a more impressionistic approach to guiding our economy, concentrating on price stability and full employment. How would such decisions, be made in a Europe of varying unemploy-

ment and inflation rates? A perception permeates the European press that the US is somehow frightened of an integrated Europe. That is simply not true. Weak European economies intensify our own balance of payments challenges. Weak European economies distract from the integration and rebuilding of eastern bloc countries. And weak European economies mean a lack of strong political leadership to help maintain global tranouility.

A truly integrated Europe would hold great promise, not only for itself but for the rest of the world. Unfortunately, the present course of events offers little reason for optimism.

The author is deputy chief executive at Lazard Freres.

INVITATION TO BID <u>FOR BAHR DAR TEXTILE ENTERPRISE</u> IN ETHOPIA

INVITATION No. 006/1996-97

- 1. The Ethiopian Privatization Agency (EPA), pursuant to the powers and duties vested in it by Article 5 (3) of Proclamation No. 87/1994, hereby invites all prospective investors to submit bids for the acquisition of a full or partial stock ownership in the existing business, and an investment and/or implementation proposal towards the realization of the expansion/rehabilitation project of Bahr Dar Textile Enterprise.
- Bidders can submit their bids indicating the percentage of ownership they want to acquire.
- Bid Documents will be available in Room 504 of the Ethiopian Privatization Agency starting Monday 28 April 1997 and interested bidders can obtain them during working hours upon payment of non-refundable Birr 100 or the equivalent in U.S. dollars for each set of documents.
- Bidders shall submit bid bond in the amount of 2% of their offer along with their bids. The bid bond shall be in the form of a bank guarantee or a certified cheque or insurance bond, all payable to the Ethiopian Privatization Agency.
- Bids shall be submitted in wax-sealed envelopes on or before Friday 25 July 1997, 5.00 p.m. local time, addressed as follows:

Ethiopian Privatization Agency P.O. Box 11835 Bole Road, Woreda 18, Kebele 18 Room No. 504 Addis Ababa, Ethiopia INVITATION No. 006/1996-97 Bid for Bahr Dar Textile Enterprise

- 6. The bids shall be opened on Monday 28 July 1997 at 10:00 a.m. local time, in the conference room of the Ethiopian Privatization Agency, in the presence of bidders or their representatives.
- 7. The Agency reserves the right to accept or reject any or all bids

ETHIOPIAN PRIVATIZATION AGENCY TEL: +251 1 150370 FAX: +251 1 513955

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COMMENT & ANALYSIS

Investment banking: where returns are hard to find

FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Wednesday June 18 1997

Japan's task in defence

seems painfully slow to take tion actually works, and there decisions about defence. Its gov- are some traps along the way. It ernment's call for new legisla- is far from certain the US would tion allowing its military to find Japan's increased support assist in tackling security crises sufficient in any real crisis. outside its borders is the culmination of a belated review that still find it goes too far. ought to have taken place as soon as the cold war ended. Given such a long delay, the change looks rather trivial

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Japan still balks at rewriting its constitution to permit its troops to fight abroad as part of a collective regional defence arrangement. Any assistance Japan did provide its US ally would remain largely logistical.

Yet its move is welcome. It should not be underestimated in a country where defence spawns so much political neurosis.

The US-Japan alliance is the cornerstone of security in Asia. It ensures the US retains a presence in the region and helps mitigate pressures from more nationalist Japanese for unilateral rearmament - something which remains one of the deepest fears of Japan's Asian neighbours. But it has long been clear that the alliance would not survive if Japan continually refused to play a more active

Spurred by concerns about stability on the Korean peninsula, this is what it has now ing the law may not be enough.

To the outside world, Japan sure their enhanced co-opera Conversely, most Japanese may

> One concern is China. Japan was openly critical of China's missile exercises in the Taiwan Strait last year and imposed modest sanctions on Beiting for its nuclear testing. But, on balance, it is more accommodating than the US, at least as far as restrictions on democracy in Hong Kong are concerned. Strengthened defence co-oper

ation will not work unless the two sides are clear - and closely aligned - in their foreign policy objectives. Similarly they must take care not to let arguments on other matters like trade loosen the defence bond. That requires a continuing effort to maintain a close bilateral relationship on all levels

Separately, the Japanese government must now promote an informed debate at home and abroad. Ideally that would lead towards a change in the constitution, or at least a further reinterpretation, to allow Japan to participate in collective defence arrangements. Such an idea has hitherto been taboo. Mr Ryutaro Hashimoto's government must agreed to do. But simply chang- persuade a sceptical public that Japan and the US must make threaten regional security.

Bibi's choice

took office a year ago, he promised "the first coherent economic leadership in Israel's his- much work". In January, he tory". Instead, there has been little co-ordination in his ramshackle coalition; his strained relations with Mr Dan Meridor, finance minister, have been complemented by Mr Meridor's differences with Bank of Israel

governor Jacob Frenkel. A brave attempt to cut the budget deficit - from 4.9 per cent of gross domestic product last year to 28 per cent this year - lost momentum and, cruas not d ied by promised structural

lower interest rates, to reduce upward pressure on the shekel. help exporters and boost growth which has fallen from 7.1 per cent in 1995 to an expected 3 per cent this year. The Bank, however, which has kept rates 4-5 points above inflation running at 9 to 10 per cent. believes the inflationary risk from high wages and low competition are too great to ease the reins.

nounced plans to deregulate, privatise and to break up monopolies have yielded little except column inches. The Jerusalem Report bi-weekly magazine in its end of first-year performance, remarked this tion – he has yet to deliver.

When Mr Benjamin Netanyahu week that "Bibi [the prime minister's nickname] has spoken a lot in class but hasn't produced announced the break-up of the bus and transport monopolies; nothing has happened.

Privatisation, in a country where Bank Hapoalim, largest of the three state-owned banks, holds 40 per cent of all deposits and accounts for 8 per cent of GDP through its industrial holdings, has moved very slowly. Yesterday, however, Mr

Netanyahu announced the phased abolition of currency faster state sell-offs. The cabinet was last night trying to resolve In exchange for budget cuts, Mr Meridor's differences with Mr Meridor has insisted on Mr Frenkel – with the possibility that the finance minister might resign. But it is time for Mr Netanyahu to choose.

Israel's success, especially in

high-tech industry, masks severe structural weaknesses among which the public and private monopolies are only the most visible. High growth in the 1990s, moreover, has been fuelled by one-off factors such as a big influx of immigrants Mr Netanyahu's oft-an- from the former Soviet Union, increased US aid and new markets opened up by the now frozen peace process. Israel can not duck structural reform and, as Mr Netanyahu identified at the outset, this does require a "grading" of the government's coherence – and a determina-

Cost of terror

The murder by Sinn Féin/IRA of with the republican movement two police officers in Northern Ireland sends a powerful mes-sage about the intentions of the late Sinn Féin/IRA. The onus republican movement. For all now is on Northern Ireland's its recent political succes terrorism remains integral to the organisation's strategy. Even as it demands a place in multi-party talks, it is seeking to undermine prospects of a peaceful settlement

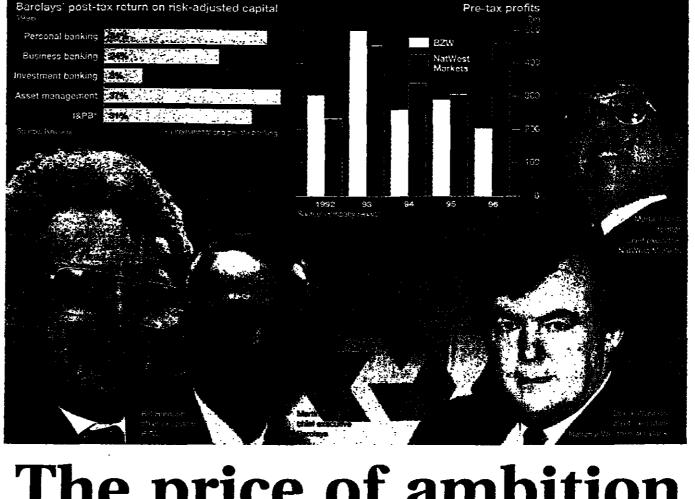
The timing and location of these latest murders were calculated to provoke a backlash among unionists in the run-up to the July marching season. In particular, republicans are seeking another violent confrontation at the Orange Order march in Drumcree, Portadown. Sinn Péin/IRA's aim is to provoke a backlash among loyalists which would strengthen its own position in the nationalist community. It hopes also that another descent into sectarian violence will radicalise the nationalists and put pressure on Mr Tony Blair's government to seek an accommodation.

In breaking off official contacts with the IRA's political leadership. Mr Blair recognised the brutal cynicism behind its strategy. As Mr John Bruton. outgoing Irish prime minister. remarked, Sinn Féin's leaders are "indistinguishably allied" to the terrorists. The US administration's recognition of this reality is welcome. So too are the signs that Mr Bertie Ahern, prime minister-elect, is reconsidering his policy of talks carries a cost.

But it is not enough for govconstitutional parties to demon strate that republicans have something to lose by excluding themselves from the talks process. That requires real progress by unionists and nationalists in forging a new constitutional settlement for the province.

For unionists this means above all restraint. To invite confrontation at Drumcree and elsewhere would be to play into the hands of the terrorists Unionists must also show imagination and courage in the negotiations. As long as the talks are bogged down in arguments about decommissioning of weapons, Sinn Féin/IRA lose nothing in staying outside.

There is a parallel challenge for the SDLP led by Mr John Hume. In his understandable determination to explore every avenue to peace, Mr Hume has allowed Sinn Fein's Mr Gerry Adams and Mr Martin McGuinness to pass themselves off as spokesmen for peaceful nationalism rather than violent republicanism. The SDLP must reverse that trend by reasserting the distinctive voice of constitutional nationalism. Sinn Féin/IRA has prospered through pretence. If negotiations among the constitutional parties began to make progress, republicans might begin to see that violence



The price of ambition

NatWest and Barclays are finding it tough to break into investment banking, writes John Gapper

National Westminster Bank sagged yesterday in the wake of the resignation of Mr Martin Owen, head of investment banking, the outlook for British investment banks appeared bleaker than ever.

NatWest and Barclays, the clearing banks that have tried to expand most heavily into investment banking, face increasingly awkward questions from dissatisfied shareholders. "NatWest has no obviously

sizeable businesses (in NatWest Markets, its investment banking subsidiary] with attractive profitability, market share or competitive advantage," concludes Mr Robert Law of Lehman Brothers, one of several analysts to downgrade their profit forecasts. "It is unclear how even the most radical action can transform the pros-

This crisp judgment on Nat-West's efforts to build a global investment bank over the past largest shareholders now think West's chief executive may also if NatWest reverses its expansion are bound to be further casual-

mispricing of options in its interest rate derivatives arm in London. It has taken a £77m (\$125m) loss, and five managers remain suspended while it completes an inquiry. This week it said it

Mr Wanless is fighting on for West Markets until he can find

s the shares of insists that NatWest remains committed to investment banking. But when the dust of recent events settles, it is unclear how much will remain of its grand plans to compete with US investment banks, such as the powerful Goldman Sachs.

NatWest is not alone in facing deep uncertainty over its investment banking activities. BZW, the investment banking arm of Barclays, has been given two years by Mr Martin Taylor, the bank's chief executive, to show measurable progress towards making a 20 per cent return on equity. A sharp fall in profits last year left BZW a long way from

making such returns.

The problems of UK banks do not stem simply from their lacklustre results from investment banking. That has also been true of other European universal banks such as Deutsche Bank, which has yet to gain adequate returns from Deutsche Morgan Grenfell, its investment bank. Paradoxically, British banks sufier from the fact that they make consensus. Several of NatWest's more money doing other things. The big three Swiss banks

that Mr Derek Wanless, Nat- make only marginal profits at hest from domestic retail bankbe forced to resign. They say that ing, and have thus been forced to branch out into investment bankinto investment banking there ing. British banks, by contrast, are not in the same bind. Those that have focused their capital in NatWest's difficulties erupted retail banking and mortgage in March when it discovered a lending - notably Lloyds TSB Group - have higher and more consistent returns. Furthermore, British banks

and aggressive shareholders than rivals in continental Europe. Natexpected first-half profits in West has a higher target for investment banking to be lower return on equity than German or than expected, triggering a fall in Swiss banks and has been heavily criticised for not quite matching it. It cannot afford the now, having stepped into Mr slow and deliberate approach to Owen's shoes at the helm of Nat growth in investment banking competition for highly paid that would be acceptable else-

Some British bankers argue that investors have become overly sceptical about the merits of investment banking. "I think it is right to accord it lower earning manage, being both well multiples (in calculating an rewarded and temperamental. multiples (in calculating an appropriate share price), but not to treat it as a leper's activity," says one British banker. Yet this is the reality that British com-

mercial banks increasingly face. That is likely to mean that Nat-West and Barclays will have to strip out businesses within their investment banks that do not pay their way. "We are among the European banks that have found building up an investment bank more challenging than we originally envisaged, and we are moving to a phase of trying to focus our business," says UK banker.

The logic for commercial banks

expanding into investment banking from the late 1980s was clear enough. Returns on loans to big companies had shrunk drastically, and banking customers Yet, while investment banking One is that returns are uneven. While Barclays and NatWest some periods, revenues were less stable than those from high street banking. This led to a lower rating for their shares. Nat-West is valued at £13bn, compared with Lloyds TSB's valuation of £33bn from pure retail banking. have to deal with more active A second is that banks have

been drawn into a spiral of investment to compete not only across product areas - such as equities, bonds and corporate advisory work - but across the world. The persistent cost inflation in investment banking. which has been exacerbated by employees, has further alienated

Finally, the shift to investment banking has placed a strain on management skills. Investment bankers are notoriously hard to British banks have generally avoided buying in fresh management by acquiring a large investment bank, a tactic that has proved troublesome elsewhere.

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NatWest has opted to buy a series of niche businesses such as Greenwich Capital, a US bond trading house, and a corporate finance advisory firm in New York run by Mr Eric Gleacher, It has met with scepticism from rivals. "I don't think that putting a lot of capital into a series of little businesses looks like a very sensible thing to do," says one banker.

By contrast, Mr Taylor at Barclays has chosen to hire two senior executives with experience of US investment banks - Mr Bill Harrison, BZW's chief executive, operations. This has led to rapid was a more profitable activity, it staff turnover as specialists have also turned out to pose problems. been brought in from outside, and has disrupted business. The mediocre management of

treasury and capital markets in acquired by Swiss Bank Corporation in 1995 has not persuaded investors that the British are naturally talented handlers of large integrated investment banks. Although the smaller Schroders is regarded as well managed (see right). NatWest Markets and BZW still have to prove themselves.

There is one comfort large UK banks can draw from the latest unset to their ambitions: they are unlikely to be the last European banks to face tough questions about the value of investment banking. For now, European rivals may be indulging in some schadenfreude. Yet, unless they do better, their investors will not remain patient forever.

Success on a modest scale

West's chief executive, declared on Monday r Derek Wanless, Nat-West's chief executive, that his group would "not be all things to all men".

That is a phrase that has been heard for years at Schroders, which since the takeover of S.G. Warburg by Swiss Bank Corporation has been the leading independent UK investment

Schroders' success is on a modest scale - it produced pre-tax profits of £239m (\$390m) last year, compared with £462m at NatWest Markets. Yet, it is perhaps modesty that is a clue to the group's survival.

Besides banning the word "global", the most common word on other investment bankers' lips, the family-controlled Schroders has been wary of pursuing size for size's sake, and has avoided competing head to head with larger rivals. The bank's staff has remained

stable compared with the flighty tion has come from within, with rare exceptions such as the recruitment of Mr Philip Augar from NatWest Markets to head a new equities broking operation.

The last year has seen a change of generations, with the retirement of Mr Jean Solandt, chairman of J. Henry Schroder & Co. Yet even the younger generation has worked together for Besides its extremely success

ful fund management operations, Schroders retains an enviable list of UK corporate clients. It acted in 122 mergers or takeovers worth a total of £21bn last year. 45 of them cross-border.

"The difference between Schro ders and the likes of NatWest and BZW is that Schroders has a long history and a very good client list to fall back on," says one rival corporate financier. "BZW and NatWest have had to create their own client bases, which has involved the expense of hiring individuals who can bring their clients with them."

But if Schroders is the great British success story in investment banking, it is a reminder of how difficult that market can be. For although Schroders is producing a post-tax return on equity of 20 per cent, much of this comes from fund management. Investment banking returned only 12 per cent last year.

Mr Peter Sedgwick, vicewere switching towards raising and Mr Bob Diamond, its head of chairman, said the bank had money directly in bond markets. fixed income - to renew its taken steps to improve that return and did "not le per cent as the limit of our ambitions". Increasing returns will not be easy, as shown by last year's 19 per cent increase in made acceptable returns from S.G. Warburg before it was costs, much of it associated with Schroders' decision to enter equities broking. Schroders has been a cautious

acquirer, completing the takeover of Schroder Wertheim, the New York investment bank, in 1994 and adding a small Spanish broker last year. Schroders faced in New York the same problem that Barclays or NatWest face in the UK and concluded that the only way to grow in a mature corporate advisory market was by acquisition.

Schroders' challenge will be to replicate its success outside the UK in the growing advisory markets in Europe, Asia and Latin

George Graham

· OBSERVER

Watchdog collared

■ US Securities and Exchange Commission chairman Arthur Levitt has responded to the familiar worry that big accountancy firms depend too much on consultancy and other fees. The concern is that they're less aggressive than they should. be when anditing the client's books, especially if the auditors are looking at work done under the guidance of another part of their firm. He's set up a standards board.

prominent among whose members are Barry Melancon, head of the American Institute of Certified Public Accountants. and the chairmen of three of the country's largest accountancy firms - KPMG, Brost & Young and Price Waterhouse. It would be surprising indeed if this line up of the accounting profession's great and good decided that something was horribly wrong with the current state of affairs: they've often said quite the opposite. Sounds like a case of asking the fox to guard the henhouse.

The job of rocking the boat goes to the four others on the board, including Salomon chairman Robert Denham and Vanguard mutual fund group

profession and the wider shareowning public as chairman will be William Allen, outgoing head of the Delaware Court of Chancery, who doesn't even get a casting vote. But the SEC says tt should be a "collaborative, not necessarily antagonistic" set-up. So all will be well.

Dinner date

■ British premier Tony Blair may not need to get out his pocket diary when he visits Hong Kong for the handover to China. With disagreements rumbling on about the provisional legislature and the timing of Chinese troop arrivals in the territory, it is a touch early to be pencilling in any top-level exchange of visits with China. But one date is already

looming. Tung Chee hwa's first trip to London since his appointment as Hong Kong's chief executive is likely to be in October for the annual dinner of the Hong Kong Trade Development Council. The timing will be sensitive,

as it will follow Tung's announcement of new electoral arrangements for a permanent Legislative Council. The trade body's guests are far too polite to start lobbing bread rolls across the gilded ballroom of the chairman John Bogel, Balancing . Grosvenor House Hotel, But . . the interests of the accounting. Tung can expect some brickbats symposium - a debate on the

if his electoral arrangements go down badly around the world.

Cold coast

A cosmopolitan party is getting under way in Newfoundland. VIPs including Britain's monarch, italy's president and the premiers of Ireland and Canada are turning up over the next two weeks to mark the 500th anniversary of Giovanni Caboto's arrival in North America.

The Italian explorer, aka John Cabot, is proving a bonanza for The Rock. Newfoundland has persuaded the federal government in Ottawa to pay half the cost of the celebration, which it hopes will bring in 60,000 extra tourists this summer. There's an international choir festival, a Cabot and His World symposium, and a flotilla headed by a replica of the Matthew, the boat that brought Cabot from

But it's hard to organise any such party without a bunch of historians clutching sheaves of inconvenient facts. All that's certain is that Cabot landed somewhere between Maine and Labrador - more than 1,000 miles of coast. So he may never bave seen Newfoundland. Unabashed, the

Britain.

Newfoundlanders have slipped a concession to accuracy into the

location of Cabot's landfall - and decreed that the party will go on

Sterling moth

■ Tony Galsworthy seems to have spent a lot of his time studying oriental moths: he found 23 new species in producing a checklist of 900 Hong Kong varieties. Now he's been handed the ideal opportunity to extend his knowledge of Chinese lepidoptera - he's to be Britain's next ambassador to Beijing.

His other wildlife love. bird-watching, may be a little less rewarding in northern China since the extermination campaigns under Mao, who regarded birds as a nuisance and ordered noise campaigns to frighten them into flying around until they dropped exhausted out of the sky.

A réticent career diplomat who has served in Beiling twice before, Galsworthy did let the cat out of the bag ever so slightly recently when he told the South China Morning Post he hoped to visit Belling to continue his study of moths; he had been in "slight contact" with some people in China's capital. He didn't reveal that his Studies would also involve monitoring the behaviour of the

Financial Times

100 years ago Insurgents In Cuba

to a despatch from Havana. an insurgent band Delgado has been defeated in Pinar Del Rio; 29 rebels were killed and 7 taken prisoners. The delogates of the ndustrial and commercial hodies of Cuba have proposed to General Weyler to withdraw the notes now in circulation, owing to the war, and to issue bonds of 100 pesetas in the form of a redeemable debt of 20,000,000 pesetas at 5 per cent to be guaranteed by a tax of in per cent ad valorem on goods imported into Cuba.

50 years ago Canadian Buses For S Africa

Toronto, 17th June. Shipment of an order for 114 gasoline-powered buses to South Africa from the Canadian Car Foundry Company's Fort William plant begins early in July, Dr. P.R. Viljoen, South African High Commissioner to Canada, has disclosed that his country has purchased over 4,000 freight cars from Canadian Car since shortly before the war. He stated that an improvement and building programme would be completed within ten years at a cost of \$180,000,000.

FINANCIAL TIMES

Wednesday June 18 1997



Thai vehicle sales fall 12.5% in flat economy

By Ted Bardacke in Bangkok

The bursting of Thailand's economic bubble is blowing away what is left of south-east Asia's biggest vehicle market. Figures released yesterday show vehicle sales in Thailand fell 12.5 per cent in the first five months of the year.

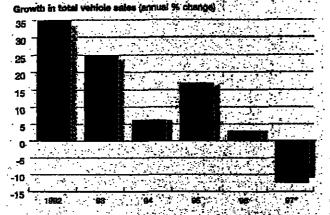
Full-year sales are expected to plunge to about 500,000 units, 100,000 fewer than projected, as the crisis in the country's financial sector squeezes sources of hire purchase finance and undermines consumer confidence.

With multinational carmakers pushing ahead with plans to invest more than \$1bn in Thailand's motor industry over the next two years, fears that the industry will suffer from over-capacity are rising. Ford Motor said initial pro-

duction at a new pick-up truck plant may be smaller than hoped. "We are adjusting our schedules and cashflow projections. We are not interested in building a monument to over-

Automotive Resources Asia (ARA), an industry consultant, has lowered its projections for Thailand's vehicle demand by 10 per cent to 825,000 units in 2000. By then, annual manufacturing capacity could be 950,000 units. This figure does not include Chrysler or Daewoo, expected to announce new investments in the country by the end of this

Mr Michael Dunne, president of ARA, points out that almost Thailand: car market on the skids



land are financed through hire

Finance companies have been badly burned by their hire purchase business. At the end of 1995, only 67 per cent of hire purchase customers were up to date with their payments, against 74 per cent in 1994, according to the Association of Finance Companies. Figures for 1996 are thought to be worse.

Some finance companies have stopped hire purchase lending. Those that remain are rejecting about one-third of all applicants, up from 10 per cent

last year. Honda Motor said. The severity of the downturn can be seen on weekend afternoons outside Bangkok, where rows of slightly used, repossessed cars are auctioned. Business is booming, says

Mr Jaray Raththaprasert, dep-80 per cent of car sales in Thai- uty managing director of domestic sales.

\$1.3bn deal by Royal Caribbean for rival cruise line

By Richard Tomidna in New York and news agencies

Royal Caribbean International has agreed to acquire Celebrity Cruise Lines in a \$1.8bn deal that will challenge rival Carnival for leadership of the vacation cruise business.

The merger pact, announced Tuesday by Miami-based Royal Caribbean, would give the combined companies a fleet of 20 ships totaling more than 38,000 berths by the year 2000. Royal Caribbean, seeking to expand its global presence in an industry that is undergoing consolidation, said it would pay \$230m in cash and issue 7.4m shares of its stock in exchange for all of the stock of Celebrity. It will also assume about

\$800m of Celebrity's debts. Celebrity, a 50-50 joint venture between Chandris Group and Overseas Shipholding Group, sails throughout Bermuda, the Caribbean, the Panama Canal and to Alaska. Royal Caribbean offers the same destinations plus the Bahamas, Mexico, Hawaii, the Far East, Scandinavia, Russia and other ports in Europe.

Royal Caribbean said it understood to be looking at buying the hire purchase portplans to keep both the Royal Caribbean and Celebrity brand names. It also said it General Motors will also rely expects some dilution to its 1998 earnings per share as a result of the merger, but said savings would result from the sharing of overheads.

Mr Richard Fain, chief executive of Royal Carlbbean, said sales growth rather than cost cuts would drive earnings higher.

"The most powerful force will be on revenues. Even a small rise in revenues translates into a big gain on the bottom line," he said.

Royal Caribbean said it expected to finance the cash portion of the purchase price through existing and new credit lines and through an issuance of additional common stock upon completion of the merger. The deal is subject to approval by the boards of both companies.

Royal Caribbean's stock closed Monday at \$38%. Celebrity Cruise Lines relative newcomer and the

deal reflects the pressures on smaller cruise lines to seek conomies of scale by merging with bigger companies amid increasing competitive pressures in the industry. In spite of a hiccup in 1994

and 1995, the North American cruise market has shown strong growth in recent years. The Cruise Line Industry Association, an industry body, says passenger numbers are expected to grow from 4.7m last year to 5m this year and

THE LEX COLUMN Double Dutch

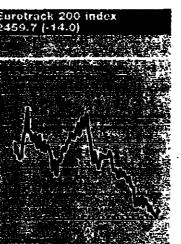
KPN's management argued for years about synergies between digital and paper communications - is, telecoms and post - but it has been unequal to the task of demonstrating them. And last year's acquisition of TNT gave the postal division both critical mass and growth, removing the last excuse for delay. The group's shares have risen 17 per cent this month on expectations of a demerger, and the bulk of its perceived discount to break-up value has now evaporated. So further outperformance will require proof that the two companies can pursue more profitable strategies apart than together. As they were independently managed and neither was noticeably starved of capital, there will be no easy wins. Nevertheless, greater focus must help both companies cope with com-

ing market liberalisation. In postal services, competition is more of an opportunity than a threat, as most of KPN's European peers are sad-died with absurdly bloated cost structures. But competition is far more distant than in telecoms, where KPN looks vulnerable to the likes of British Telecommunications. Investors must be better off with a management which cannot hide behind more comfortable postal profits. Moreover, the management will have to think long and hard about Unisource, its global alliance which has sunk to a distant third in the rankings. As an independent telecoms business. KPN will now be able to pursue equity swaps to cement alliances. But investors will be less forgiving if it picks the wrong bride.

Investment banking

Could NatWest's decision to review its investment banking arm be the early sign of a shake-out in the industry? Many investors will hope so. The European commercial banks that have charged into investment banking this decade are still mostly - NatWest apart - making good money. But shareholders are rightly concerned that the profits will not last when the bull conditions in financial markets come to an end. A cyclical boom is masking structural overcapacity.

It may be tempting to view Nat-West Markets as an isolated case. But, though its financial performance does seem unusually poor, its travails are not unique. All the big Europeans with investment hanking aspirations - with the possible exception of SBC Warburg -



are struggling to make the mark. Deutsche Morgan Grenfell has been racked by scandal and internal commotion, Barclays' BZW has yet to show it can win substantial advisory roles and ABN-Amro's operations are still far from integrated. Neither of the main strategies used to crack the market hiring individuals for large amounts of money or buying businesses and trying to string them together - is obviously working.

One can argue that continental banks are different from NatWest, in that they do not face much investor pressure to perform. Maybe. But this is a matter of degree and, over time, shareholders are likely to become more active. Sadly, it will probably not be before bull conditions end and much money is lost.

French budget

Just how bad is France's budget deficit? Rumours of a 1997 figure as high as 3.8 per cent of gross domestic product are unsettling its European Union partners. A number anywhere near that would be bad enough, jeopardising France's prospects of qualifying for monstary union. But to make matters worse, France gives the impression of a casual approach to how it might address any shortfall. Pledges to qualify "without detriment to employment or growth" sound like code for avoiding strong medicine.

The extent of the problem will be revealed when an audit into government finances is published next month. If deficit estimates prove to be lower, say around 3.3 per cent, this will certainly calm nerves. Senior EU central bankers have recently made clear it is the trend

that matters, not absolute numbers. in other words, a degree of fudging will be tolerated. But the risk is that France sees this as licence for anything goes. This is not so. Whatever domestic pressures Mr Lionel Jospin, the prime minister, faces to ease the rigours of qualifying for Emu, the fact remains that the German electorate will reject a loosely drawn monetary union - and Chancellor Helmut Kohl knows it.

gaccounts

Compari

Mr Kohl is partly to blame for any misapprehension. He has conveyed the impression he will tolerate anything to see Emu achieved But the ball is now with Mr Jospin. If he wants to keep Emu on the rails, there needs to be a clear demonstration of French willingness to undergo the necessary sacrifices.

BSkyB

Investors are understandably unsettled that Mr Sam Chisholm is standing down as BSkyB's chief executive. That Mr David Chance, his deputy, is shifting to a consultancy role too is a double blow. The duo deserves much of the credit for building the satellite broadcaster into by far the most successful part of Mr Rupert Murdoch's media empire. Mr Chisholm, in particular, possesses competitive drive and strategic insight in abundant quantities. These have allowed BSkyB to carve out for itself a lucrative, dominant position and repel onslaughts from both rivals and regulators.

Mr Chisholm will be a hard act to follow. The little known about Mr Mark Booth, his successor, is encouraging. But with BSkyB still on a glamour-stock rating, despite recent underperformance, there is substantial scope for disappointment. BSkyB's most entrepreneurial phase may be over. But it faces big challenges in maintaining its grip on the market as TV makes the switch from analogue to digital technology.
News that BSkyB is being encour-

aged to leave the British Digital Broadcasting (BDB) consortium, which is bidding for a digital terrestrial franchise, shows that regulatory risk has not completely vanished. If BDB now wins the franchise without BSkyB on board, BSkyB's control of the pay-TV market will lessen. True, BSkyB will still earn good money from supplying BDB with channels. But it will not have a say in how it competes.

> See additional Lex comment on UK tax. Page 19

Russia snub | France warned on budget

Continued from Page 1

Anatoly Chubais, the other first deputy prime minister. He is responsible for Russia's WTO application - which may be approved as early as next

Sir Leon had hoped his visit would achieve a "conceptual break-through" in trading relations between Russia and

"We are in serious busimeetings on Monday. "At the time of Russia's accession to the WTO we will formally proclaim Russia as a market economy and abolish the limited references to a non-mar ket economy in our legisla-

Sir Leon said the removal of this largely technical distinction could enable the commission to revise its anti-dumping legislation affecting Russia.

The EU is Russia's biggest trading partner, accounting for 40 per cent of its foreign trade. Sir Leon said the EU was likely to ratify a partnership and co-operation agreement by the end of the year, further easing trading rela-

Europe today

It will be wet over the western part

of the British Isles as a disturbance moves in from the west. But high

pressure will temporarily bring dry conditions to the Benelux and

France, Northern Germany will have some cloud but will be dry. The

south will have rain and thunder showers. Showers are also expected

in the Alps. Most of Spain and Portugal will be dry with sunny

periods, but there will be some

thunder showers in the north-east Northern Italy will have some showers, but southern Italy will

remain dry. It will be sunny over

A disturbance over the UK will move into north-western Europe during the

week, bringing rain, showers and fresh breezes. Southern Europe will

remain dry, with plenty of sunshine

as high pressure continues over the

Eastern Europe will be cloudy and rainy as an old disturbance stalls in

TODAY'S TEMPERATURES

Abu Dhabi Accra Algiers Amsterdan Atlenta B. Aires B. Aires B. Aam Bangkok Barcekona

Greece and Turkey.

Five-day forecast

Continued from Page 1

minister, will tomorrow outline his government's programme to parliament. But he is thought more likely to focus on job-creating and tax-cutting campaign promises, which might swell the deficit, than on immediate action to narrow this year's financial shortfall.

Estimates that the French deficit could be near 4 per cent underline the fact that Paris has made no real improvement

year, once the one-off pansionrelated payment from France Telecom is taken into account.

Union Auction, His company

last year's number.

auctions 400 cars a week, twice

The slowdown is hitting two

highly visible markets: pick-up

trucks, which account for 70

per cent of all vehicle sales,

and high-end imports such as

Mercedes and Volvo, sales of

which fell 32 per cent and 38

Ford is staging its own mini-

revival of the hire purchase

market, stressing the ability of

its own subsidiary, Ford

Others are headed in a simi-

lar direction. GE Capital has

increased its hire purchase

business in Thailand and is

folio of at least one cash-

on in-house financing to power

strapped company.

Credit, to finance truck sales.

per cent respectively in May.

The French finance ministry's budget department is said to estimate the 1997 deficit at 3.7-3.8 per cent, while its forecasting division, banking on higher growth, apparently puts it at just under 3.5 per cent. Whether or not next month's

audit confirms reports of a big deficit over-shoot in 1997. France is certain to have even bigger problems in meeting in 1997 compared with last the 3 per cent target in 1998.

US price inflation drops

FT WEATHER GUIDE

Continued from Page 1

has all but disappeared. Those figures point to a further fall in the future rate of consumer price inflation.

The benign inflation figures helped stock prices rise slightly yesterday. At 1pm, the Dow Jones Industrial Average was up 14 points at 7.786. The Commerce Department reported housing starts fell last month by 4.8 per cent after declines in March and April the first run of three straight

LOW

falls in two years. But indus-trial production remained robust, the Fed reported, with an increase of 0.4 per cent last month. Industry's rate of capacity use rose further to 83.7 per cent, its highest level

since September 1995. The overall rate of economic growth seems to be slowing, however, after the torrid pace of the first three months of the year. Earlier reports indicated retail sales fell sharply in April and May, and housing market activity was subdued.

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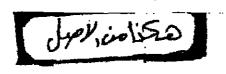
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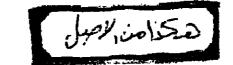
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FINANCIAL TIMES

COMPANIES & MARKETS

Wednesday June 18 1997



IN BRIEF

First accounts from Campari

Campari, the Italian family-controlled drinks group, broke 137 years of silence on its financial affairs by publishing its annual accounts and reporting first-quarter results. The group stressed the move did not imply it was seeking a stock market listing. Page 16

Caja de Madrid buys 3% of Telefónica Caja de Madrid, Spain's second-largest savings bank, has paid Pta102bn (\$703m) for 3 per cent of Telefónica, reflecting the bank's strategy of becoming an industrial investor. Page 14

French group takes stake in GrandMet LVMH, the French luxury goods group, paid £27.4m (\$45m) for a small stake in Grand Metropolitan, the UK company, adding an intriguing wrinkle to the dispute over GrandMet's proposed merger with Guinness to create the world's largest spirits and wines group. Page 16

Motorola plans satellite network Motorola, the US manufacturer of telephone

equipment and semiconductors, is planning the latest in a growing line of ambitious global satellite networks. The network, to be called Celestri, would compete in the provision of complete voice, data and video communications. Page 18

Norwegian bank urged to drop bid A hostile takeover bid by Sparebankgruppen, the Norwegian savings banks group, for Fokus Bank, a smaller domestic rival, is in doubt after Norway's financial regulator urged the suitor to drop its bid. Page 16

El Niño to hit Australian agriculture The El Niño weather pattern is expected to cut the value of Australia's agricultural exports by 5 per cent in 1997-98 to about A\$20bn (US\$15bn). The El Niño phenomenon is a periodic warming of the tropical Pacific Ocean and tends to result in drought in eastern Australia. Page 24

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Llade		18.0		840		
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THE FINANCIAL TIMES LIMITED 1997

Gencor close to UK listing

By Mark Ashurst in Johannesburg

Gencor, South Africa's secondlargest mining group, is understood to be close to announcing a London listing for its aluminium, coal and metals businesses, which are expected to be valued at about \$7bn.

Precious metals would remain part of a separate business, listed in Johannesburg. The demerger would mark to have the support of Mr Tre-

national metals group, and commitment to a relaxation of exchange controls.

All Gencor's base metals businesses, which range from coal and aluminium to nickel and stainless steel, are likely to be grouped into the Londonlisted company.

The company is understood

the culmination of Gencor's vor Manuel, South Africa's nickel operation would have its separation from Sankorp. transformation into an inter- finance minister for its plan to annual production capacity of an industrial holding comlist in London. The move could demonstrate South Africa's raise about \$1bn in new capital to fund projects in Southern Africa, Australia, Colombia and Venezuela.

The demerger is also expe ted to coincide with a bid by Gencor for QNI, the Australian nickel producer, which would create the world's fourthlargest nickel producer.

more than 130m pounds. QNI pany, in 1993, Gencor paid shares were suspended in Australia on Monday. Gencor vesterday held its first board meeting since saying this month it was seeking access to

international capital markets.

The proposed demerger is the third and most ambitious step in the strategy of Mr Brian Gilbertson, chairman, to The merged international transform Gencor. Following

\$1.2hn to Royal Dutch/Shell for Billiton, the UK-based aluminium producer, in 1994.

"We have reversed the pattern of conglomerate growth that had characterised South African business for many decades." Mr Gilbertson told foreign investors recently.

QNI bid, Page 17

Finnish move may bring utilities link

Government in talks with Neste

By Greg McIvor in Stockholm

Neste, the partly privatised Finnish oil and petrochemicals group, and Imatran Voima (IVO), the domestic stateowned power utility, are in talks with the Finnish government, which could lead to a

Finland's trade and industry ministry said yesterday it had launched a strategic review of its stakes in both companies. This will also consider further privatisation after the sale of Neste shares in 1995. A tie-up would represent one

of Finland's biggest corporate deals, creating a powerful force on the Nordic energy market. The companies would have combined annual sales of FM55.4bn (\$10.7bn) and a market capitalisation of about . The government's review, to

sifying competition in Nordic power markets - the most liberalised in Europe since full deregulation early last year. A wave of restructuring has

swept the region, encouraging foreign utilities such as Electricité de France, the French Elektra of Germany to enter the market. Nordic producers have also moved aggressively into each other's territories.

Mr Jukka Viinanen, Neste president, said: "We have evaluated that a merger would be beneficial to our shareholders." Merging the companies "would make the totality much stronger", he said, adding that a combined group would rival the size of leading

Nordic energy groups such as Vattenfall, the Swedish state power utility, and Norsk Hydro, the Norwegian oil and gas group. Shares in Neste, in which

the Finnish state has an 83 per FM138.50 in Helsinki yester-

The government holds a 95.6 per cent stake in IVO, with the rest held by a state insurance fund. The trade and industry ministry has expressed a wish to reduce its holding to 50.1 per cent in both companies. Dresdner Kleinwort Benson

is advising Neste. Morgan Stanley and SBC Warburg are advising the Finnish govern-Publicly, IVO appeared less enthusiastic than Neste about the shake-up. Mr Heikki Marttinen, IVO chief executive,

stressed the state had taken be completed by the end of the initiative. "Our company is August, is a response to inten-strategically and financially in good condition and its structure clearly is efficient." Ms Liz Christie, European electricity analyst at Merrill Lynch in London, said there were few synergies between

the groups. 'It is not immediately obvious that [a merger] tainly thinking a long way into the future." Neste executives emphasised that although there was little overlap with IVO's operations, both could gain from pooling their resources, particularly in

Capitalising on convergence,

important fuel in Europe.

developing gas-based power.

Natural gas is an increasingly

First Barney's to close

By Richard Tomkins

Barney's, the US department store group struggling to emerge from bankruptcy, is to close the 74-year-old store in downtown Manhattan that turned the company's name into a byword among the rich and fashionable.

It will also close two stores in Texas, in Dallas and Houscent stake, rose FM2.50 to ton, and one in Troy, Michigan, and cut costs in its New York headquarters, resulting in about 200 job losses from its workforce of 1,950.

The New York store in 17th Street was opened by Mr Barney Pressman in 1923 as a discount men's wear store, but in the late 1960s his son, Fred, began to take the enterprise up-market, adding European designer clothing.

Change was accelerated in the 1980s by Fred's sons, Gene and Bob, who took the apostrophe out of the name on the storefront (but not the corporate name), expanded into adjacent buildings and added women's designer clothing, turning the store into a magnet for the fashion-conscious.

The Pressman brothers then embarked on an ambitious expansion plan in partnership with Isetan, the Japanese retailing group. A flagship store was opened in midtown Manhattan and other stores ere opened but the enterprise was forced into bankruptcy protection in January last year.

Yesterday Mr John Brincko, president and chief operating officer, said the closures were "disappointing" but the company had to focus its resources on the strongest stores with the best prospects for growth.

The 17th Street store is expected to close in September Page 16 and the others by the end of



Running down the flagship: upmarket department store Barney's is set to close its branch in Manhattan

July, with employees being offered jobs at other stores. Barney's also disclosed yesterday that its sales rose by 4.2 per cent to \$24.8m in April, the last month for which figures were available.

Barney's, its creditors and lsetan last week agreed to a July 7 deadline for offers for the company, with a view to agreeing a deal by the end of July for submission to the bankruptcy court.

Demerger likely to value group's base metals businesses at \$7bn | KPN plan to separate post from telecoms

KPN of the Netherlands, one of the few European communications groups which still operates both post and telecommunications, plans to split into independent companies.

One, described as the logistics arm, will comprise KPN's postal operations and TNT, the Australian parcel group it took over last year. The other will have responsibility for KPN's olecoms activities.

The company said yesterday that the move was a natural progression, as the two units had developed into profitable businesses over the past nine years, operating more or less independently of each other.

Mr Ben Verwaayen, president of KPN until September 1 when he joins Lucent Technologies of the US, said the postal and telecoms arms had benefited from their years together, but the logic of the market argued they should now go their separate ways.

There were strong differences between the two businesses, especially in manage ment methods, scale of investment and labour-intensive versus capital-intensive operations. KPN's postal operations have been noted for their innovation and aggressive moves to capture international busines

Mr Wim Dik, chairman of the management board, will take the role of president of the telecoms arm upon Mr Verwaayen's departure and will continue as chief executive of the telecoms company after it begins independent operations. planned for next spring.

The Netherlands government, which holds a "golden share" minority stake in KPN. would have to approve the plan, as would shareholders.

The company said the split would widen strategic opportunities for both companies and make the valuation of shares more transparent.

This has become more tion of TNT and the involvement of the telecoms arms in Unisource, the pan-European operators,

A separate share would increase the possibilities of the telecoms arm reinforcing international alliances through mutual acquisition of share

Lex, Page 12

Barry Riley

Second thoughts on the dividend tax dangers



Norman Lamont, the former UK chancellor of the exchecut in advance corporation tax

that had the effect of reducing the gross dividends receivable by pension funds (and other tax-exempt investors) by 6% per cent. But the stock market fell by only about 1 per cent. On Monday a leak of the apparent intention of Gordon Brown, the current chancellor, to abolish reclaimable divi-

dend tax credits entirely in the July 2 Budget statement again knocked the market by only about 1 per cent. But yesterday there were second thoughts. David Schwartz, the stock market historian, has mearthed chilling facts about

such unscheduled UK Budgets. Of five since the 1960s, those in 1964, 1977 and 1979 coincided with bear markets which had all begun within the previous month. The other two fell Philip Isherwood of Dresdner within the 1974 bear market, the UK's worst ever.

pate anything like a full reflection in share prices of the 23bn less than their "normal" potential 20 per cent loss in contributions, and if they per cent on UK equities. UK dividend income. Tax- merely close this gap they will exempt investors account for claim £1bn in extra corporaabout 40 per cent of share own-tion tax relief. ership, leaving other important categories little affected. All the same, the UK stock

schemes in the National Asso- that to establish a 20 per cent ciation of Pension Funds are buffer might cost companies receiving nil, or subnormal, employer contributions.

The problem is that the ACT change would tip many schemes back into deficit, or certainly into a weaker condition, in which full contributions would have to resume. Some sponsors would have to inject special top-ups, as Brit-ish Telecommunications did after Mr Lamont's 1992 change. According to a new study by

In recent years high and growing dividends have fed back into company

pension schemes, generating actuarial surpluses and boosting profits

Kleinwort Benson, the tax returns of 69 per cent on fixedcredit is worth £2.5bn (\$4.07bn) However, we need not anticia year to pension schemes. But employers are paying some

Beyond that, the question will be how schemes measure up against the Minimum Fundmarket has benefited in the ing Requirement (newly past decade or so from a virtuimposed by the Pensions Act) inflation. That may be political ous circle; high and growing and whether their corporate dividends have fed back into sponsors consider it worthwhile to rebuild a cushion of when the equity risk premium company pension schemes, generating actuarial surpluses surphis - perhaps phased over gets this low.

In late 1992, and boosting profits. Half the five years. Mr Isherwood says overall between £15bn and £20bn - say £3.5bn a year for 5 years, implying another £1bnplus of corporation tax relief.

Even so, given that the total yield from ending the dividend tax credit, taking all shareholders into account, would be £4.5hn, the exchequer would be an easy net gainer. But what would be the impli

cations for pension fund investment strategy? Driving funds partly out of equities and into bonds might be par of Mr Brown's plan. He has already conceded interest rate responsibility to the Bank of England to bring down gilt funding costs.

In the Netherlands, where corporate pension funds have defined benefit scheme has 63 per cent in bonds against 11 per cent in the UK. In the US, according to Greenwich Associates, the comparable propor tion is 25 per cent.

Looking backwards, real interest gilts over the past decade, and 4.4 per cent on index-linked gilts, have never had much hope against the 9.7 But looking ahead, a 2.8 per

cent dividend yield would imply an expected real return of only about 5 per cent. You can get a real return on gilts of 4.6 per cent, if you believe the 2.5 per cent official target for window-dressing. But pension scheme trustees should worry

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COMPANIES AND FINANCE: EUROPE

Caja de Madrid buys 3% of Telefónica

Caja de Madrid, Spain's second largest savings bank, has paid Telefonica, in move that reflects its strategy of becoming an industrial

The savings bank is understood to have set aside Pta300bn for such investments over the next five years, and is likely to raise its stake in the telecoms group with oned to have spent more than further equity purchases on the

stake had been built up over two rowed financial margins.

months on the Madrid market.

domestic industry. It also under-Pta102bn (\$703m) for 3 per cent of lines a trend by the cash-rich savings banks towards industrial played in Spain by the private banking sector.

Savings banks, which account for 44 per cent of domestic customer resources in Spain, are reck-Pta500bn in the past year on equity It said yesterday the Telefónica response by the institutions to nar-

Ptal16.3bn cash bid led by Stet, the by the operator's new partners. Italian telecoms group, for Retevi-

Caja de Madrid's investment in excessive foreign presence. Telefonica will lift the Spanish pro-Telecommunications and MCI of over 15 per cent of Telefónica.

A group of smaller regional the US, and with Portugal Telecom. The acquisition puts Caja de savings banks emerged last week. The agreement includes provisions Madrid among the big backers of as the main financial partners in a for purchases of Telefonica equity savings banks emerged last week The agreement includes provisions

Ahead of the sale of the 21 per sión, the state-controlled TV sig- cent stake in Telefónica still owned investments, a role traditionally nals company which will begin by the state, the government competing with Telefónica as a encouraged the creation of a hard fixed-line operator later this year. core of shareholders to ward off an

The banking groups Banco Bilfile of the telecoms group, which ban Vizcaya, Argentaria and Barcewas fully privatised in February lona-based La Caixa - the biggest and subsequently entered wide- of the savings banks and, unusupurchases. The strategy is part of a ranging global agreements with ally for a caja, a long-time indus-Concert, the alliance of British trial investor - jointly control just

Analysts believe that Caja de Madrid, which is the country's fifth-biggest financial institution and controls customer assets of Pta4,000hn, aims to become a fellow core shareholder by building a similar 5 per cent stake. This will give it a seat on the Telefónica

The Caja de Madrid treasure chest for equity purchases suggests the bank could also be eyeing Endesa, the dominant electricity generator, as an investment target. The government is planning to sell of about half the 66 per cent stake it

owns in Endesa after the summer. Brigadier takes up the cause of Liberty

New chief executive of S African financial services group sets out to promote its expansion plan

week after he its founding chairman, Mr stepped down as Donny Gordon, the group Johannesburg Exchange to join Liberty for the past 10 years. Life, Mr Roy Andersen was moned for army service in the South African

National Defence Force. The aspect he most enjoys ning manoeuvres with forarmed wings of the former liberation movements.

Striking deals with old adversaries is becoming a of his roadshow, Mr Anderhabit for Mr Andersen, who this week began his first in Europe and the US hunroadshow for international analysts since taking over as chief executive of Liberty Life in April.

The brigadier was the architect of Johannesburg's "big bang", which attracted a surge of new capital to the 110-year-old stock exchange from foreign institutions traditionally critical of the cosy conditions enjoyed by local brokers. His next task is to marshal similar enthusiasm for Liberty's international

In little over four decades, Liberty has grown to become South Africa's fifth largest equity investor and through its effective interest of 44 per cent in the Standard Bank empire - one of the country's strongest financial services groups. Under the stewardship of

president of the has notched up annual net Stock asset growth of 32 per cent

Its performance looks only slightly less impressive from outside South Africa, where investors will do their sums in dollars. In spite of last of his second career as a year's sharp devaluation of part-time brigadier is planaverage annual growth in mer guerrillas from the market value - in dollar terms - of 22 per cent per share over the past 10 years.

During the next two weeks sen will find foreign analysts gry for reassurance that these returns can be sustained into the next century. His response will be to promise a joint venture with an emerging black business on the US market.

savings, limited social security and the rise of a new black capitalist class augur well for the life assurance market in South Africa. But mounting competition and a sluggish domestic economy may constrain future growth.

20-25 per cent for the next 10 years, Liberty must combine focused expansion overseas.



group, and possibly a march Roy Andersen: targeting all the English-speaking world, and possibly South America

Africa's fastest growing life (\$333m). Yet its book value, assurer and lender of policy-

he restructuring offers an opportunity L to forge a new alliance with black business, which could boost both Lib-To achieve Liberty's goal erty's profile in the black of annual earnings growth of consumer market and its political credentials.

The merits of the plan are innovation at home with a self-evident. Charter to raise about R2bn to be reported an 86 per cent shared between Liberty, The first step will be to increase in new premium Standard Bank and the new float its wholly-owned Charincome last year, and has black partner. Negotiations

A low level of domestic ter Life subsidiary, South assets exceeding R1.5bn to sell a pre-listing stake to a market ratings for life assurblack-controlled financial as recorded in Liberty's services group are entering financial statements, is only the final stage, says Mr R110m. This compares unfa-Andersen. "We have a pretty vourably with the R2.5bn clear idea who we will go market capitalisation of Afriwith, but we may keep can Life, Charter's blackit under wraps until the controlled and publicly listing." quoted rival, which has a Abroad, he forecasts an

smaller asset base and lower increase in the contribution total income. from international activities The listing, which could from 9 per cent of earnings take place this year, is likely last year to 50 per cent within five years.

The first phase of that acquisitions." expansion will be driven by property interests in the UK,

where Liberty controls Capital and Counties, the fourth biggest commercial property group on the London Stock Exchange. Offshore earnings may also be buoyed by Liberty's recently launched UK pensions business and new offshore funds in Jersey.

n the longer term, Mr Andersen defines his target market as "all the English-speaking world, and possibly South America", where he expects the financial services industry to

Analysts are more specific. They say the new chief executive was hand-picked by Mr Gordon to succeed him as head of the group, but his rite of passage could be to realise the chairman's ambition of a stake in the US market

The combination of high ers in the US, and exchange controls in South Africa, mitigate against an acquisition in the near future.

"It is difficult to see how they will get into the US unless Wall Street crashes," says Mr Alan McConnochie, analyst at BoE NatWest in Johannesburg. "But we have learnt not to underestimate Donny Gordon. He does pull rabbits out of hats, and I wouldn't be surprised to see

Mark Ashurst

EUROPEAN NEWS DIGEST

Accor acquires casino group

Accor, the French leisure group, has become an important operator of the country's casinos by acquiring a majority stake in Société de Participations et d'Investissements de Casinos (SPIC). The group has increased its stake to 65 per cent by buying the 25 per cent held by Sun International and 15 per cent indirectly owned by Pathé. the French media business.

SPIC, which was jointly created by Accor and the Barrière-Desseigne family, operates casinos in Nice, Cassis, Carry le Rouet and Chamonix, and has been named as the operator of a new casino to be opened in Dax. With turnover of FFr550m (\$94.3m), it is the fourth largest in France. Accor acquired in 1989 a 34.9 per cent stake in SHCD, which in conjunction with the Barrière group operates the casinos in Deauville, Trouville, Enghien, Ouistreham and Menton. Accor, which has said it will concentrate on four core businesses - hotels, car rental, travel agencies and vouchers - stressed that gaming and tourist activities were "very complementary" with its hotel activities and were growing fast. Andrew Jack, Paris

Rheinmetall adds Kolbenschmidt

Rheinmstall, the German engineering company, has increased its stake in Kolbenschmidt, the motor components manufacturer, from 25 per cent to 53.5 per cent. Rheinmetall, whose activities comprise defence technology, automotive products, industrial machinery and office equipment, had already said it intended to acquire a majority of Kolbenschmidt and had been given the go-ahead by the federal cartel office.

Most of Rheinmetall's previous stake came from a 24.99 per cent holding bought from Commerzbank, which had originally held it for T&N, the UK engineering concern. T&N's attempt to buy Kolbenschmidt, which makes pistons, was rejected by the cartel office. The rest of the holding was acquired from financial investors and institutions. The company plans to merge Kolbenschmidt, which has a turnover of about DM1.3bn (\$752m), with its Pierburg automotive products unit. Rheinmetall will own about 75 per cent of Kolbenschmidt Pierburg, which will Andrew Fisher, Frankfurt have turnover of DM2.5bn.

Hungarian haulier set for sale

The Hungarian privatisation agency, APV, has invited bids for an 81 per cent stake in the state haulage company Hungarocamion. The buyer will have to provide a capital injection of Ft 1.3hn (\$7m) and development finance of Ft 5bn over three years, mainly to ensure

Hungarocamion's 1,200 truck fleet meets EU standards. The company, which has a broad transport brief including customs clearance, has 2,900 staff, including 1,500 drivers. This is the third attempt at privatising the haulier, after

abortive tenders in 1994 and last February, when APV received one "very good" domestic offer which failed on a few conditions, a privatisation official said. However the current tender, by allowing 60 per cent of the bid price to be paid in compensation coupons (issued to Hungarians who suffered under previous political regimes) appears to favour domestic buvers. Hungarocamion had shareholder's equity of Ft 6.5bn at the beginning of the year and 20 per cent of the Hungarian road haulage Kester Eddy, Budapes

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18 June 1997

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The Yasuda Trust and Banking Company, Limited In accordance with the provisions

of the Notes, notice is hereby given that the rate of interest for the interest period 18th June 1997 to 18th December 1997 has en fixed at 6.275% p.a. The coupon amount payable on 18th December 1997 will be US\$ 159.49 per US\$ 5,000 Note.



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for the three months 17th June, 1997 to 17th September, 1997 the Notes will carry an interest rate of 5.9375% per annum with a coupon amount of U.S. \$151.74 per U.S. \$10,000 Note. syable on 17th September, 1997.

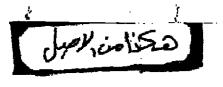
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The Financial Times plans to publish a Survey on

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Sparebank urged to drop bid for Fokus

By Greg McIvor in Stockholm

A hostile takeover bid by Sparesavings banks group, for Fokus Bank, a smaller domestic rival, was in doubt yesterday after Norway's financial regulator urged it to drop

The Norwegian Banking, Insurance and Securities Commission said Sparebank was unlikely to win acceptance from 67 per cent of shareholders, the minimum required to force changes in statutes under Norwegian law.

companies can

only dream of win-

ning a Palme d'Or at the

Cannes festival. Yet, in less

than a decade, Ciby 2000 has

won four, including one for

Rather than savouring their success with The Taste

Of Cherries, and Mike

Leigh's Secrets and Lies,

which scooped last year's

Palme d'Or. Ciby's staff face

an uncertain future because the company is up for sale.

Bouygues, the French con-

struction group which

founded Ciby eight years

ago, has appointed Société

ing group, and Bannon & Co.

its Beverley Hills-based asso-

ciate company, to find a buyer. It hopes to raise at

independent US film distrib-

the end of yet another ambi-

tious but unsuccessful Euro-

pean attempt to rival the

"Company"), presently under special liquidation, as at on-going concern acc of Decision No. 915/1997 of the Theysplonibi Court of Appeal

4. MAKUPA. 3 House uses for the same and a long state of the state of the same and a same and a long riding class.

5. 18-hole golf course over an area of 2.400 sq.m. with a goardhouse (252 sq.m.) and a chapel.

6. GALANI hunory hostel over an area of 2.400 sq.m. with a goardhouse (252 sq.m.) and a chapel.

Bakery, short 1,220 ag.m.
 Other minibary installations such as biological sewige treatment plant, workshop, garage. Public Po-

7. Other nucliary areas.

8. The right to stillor the MARINA installations, described above, according to a special pt. L69/1968.

Hollywood studies.

A. Tourist installations

least \$70m (£43m) from the 2000

four large, separately-listed savings equity stake and share options. Fokus's shares, which have been banks and 12 smaller savings bankgruppen, the Norwegian banks, last week extended for six the 90 per cent acceptance needed weeks a NKr73-a-share bid for for its bid to succeed automati-Fokus. The offer, launched in cally. Fokus has criticised Spare-April, values Fokus at NKr4.8bn bank for extending its bid for such (\$658m), of which Sparebank would pay half in cash.

Fokus has recommended its shareholders to reject the bid. It fears that Sparebank, Norway's third largest banking group, would break up Fokus and distribute the

parts among its members. Sparebank controls about 51 per

powerful industrialists.

skirts of Paris.

Générale, the French bank- Europe's equivalent to the

year later, he announced

plans to form a film produc-

tion company which, he vowed, would become

US movie studios. His aim

was even reflected in the

nounced in French, Ciby

sounds remarkably similar

CALL FOR TENDERS

FOR THE SALE OF THE ASSETS OF

"TOURISTIKI GEORGIKI EXAGOGIKI SA - PORTO CARRAS" OF THESSALONIKI, GREECE ETHNUC REPHALEOU S.A., Administration of Assets and Liabilides, of 9a Chryssospillotissis St., Affens, Greece, its capacity as Liqu of "FORTO CARRAS-TOURISTIKI-GEORGIKI-PKAGOGIKI SA", a company with its registered office in Thestalconki, Greece "FORTO CARRAS-TOURISTIKI-GEORGIKI-PKAGOGIKI SA", a company with its registered office in Thestalconki, Greece, and on-toing concern according to the provisions of Article 46a of Law 1892/1990, by

announces a call for tenders

RRIFT INFORMATION

The Company was emblished in 1963. On March 17th 1997 the Company was placed under special liquidation as an going-on concern, in accordance with strick 46s of Law 1892/90, as supplemented by set. 14 of L-2000/91 and modified sobsequently. The objectives of the Company include tourist and hotel operations and in particular the establishment and rouning of tourist and hotel operations and in particular the establishment and rouning of tourist and hotel operations and in particular the establishment and rouning of tourist and hotel operations and in particular the establishment and rouning of tourist and hotel operations and in particular the establishment and rouning of tourist and hotel operations.

The natety for sale include the following, briefly described, tourist and industrial installations situated at Porto Carras, Neo Marcusta, Chalkidll at a distance of about 125 km from Theasaloniki, by the sea and over a total area of 17,702.815 sq.m. approximately.

l. SITHONIA BEACH. An A-class hosel with 836 beals in 433 rooms and 20 suites. The hosel also includes 3 registrants, 3 bans and 2 r

1. STHONIA BEACH. An A-class bonel with 836 bods in 433 rooms and 20 anites. The hotel also includes 3 restaurants, 5 bars and 2 cented shops. The hotel is under lease to Casino Porso Certas SA, from 1994 to 2006, which runs a custoo, established within the hotel building.

2. MELITON. A housey botal with 827 bods in 428 rooms and 10 autes. The hotel also includes 4 restaurants, 3 bars and 10 remed shops.

3. VILLAGE INN. A B-class hotel with 178 bods in 75 studies, 7 suites and 7 hangalows. The build labs includes 1 restaurant, 2 towerses, 3 bars and 28 reacted shops. The build has been placed on a time-share basis and many of more-shading contracts have been concluded from 1991 to 2040. Both MELITON and VILLAGE INN are under the miningenions of GRECOTEL SA and will remain so until the assets are sold.

With regard to the management of MELITON, it is provided that commitments undersaken by the Manager towards tour operators referring to the tourist season following the transfer of sastes shall bridd the new owner.

4. MARDAL 5 metres deep for craft up to 45 metres in length with 166 bertha, quiets, for fresh water and electricity and buildings that are being read as a touch of the same of the same of the commitment of the best dash.

OFFERING MEMORANDUM - FURTHER INFORMATION:

cc with the provisions of article 46a of Law 1892/1993 (as sup nd conditions set forth berein and the "Terms and Condition

Offerers should expressly state the effected price and the detailed terms of payment (in cash or metalement, mendering the number of instalments, the dates thereof and the proposed amount interest rate, if any). In the event of not specifying; a) the way of payment, b) whether the credited amount shall been becreat and c) the interest rate, the sale contract, b) the amount credited shall bear no interest and c) the interest rate shall be the legal rate in force from time to time. In all cases where the credited amount heary interest, this shall be calculated in relation to the customforg amount and shall be payable on the date of payment of each lessalment. Sincting offers substituted later than the above date shall not there be accepted nor counidered. The offeres shall be binding until the adjustication. Substitution of offers in favour of a third party to be normalized on a later samp shall be accepted under the condition that express mention is made in this respect upon substitution and that the offerer shall give a personal guarantee in favour of such third party for the compliance of the obligations deriving from the sale contained.

2. Legans of Gausanger, Barding offers must be accompanied by a Letter of Constance.

3. Legans of Gausanger, Barding offers must be accompanied by a Letter of Constance instead in accordance with the sample Letter of Constance contained in the Offering Marmonadum, by a bank legally operating in Greece, to remain valid until the adjudication. The amount of the Letter of Constance must be DRS. FIVE HUNDRED MILLION (500,000,000-).

Leners of Gozarance shall be returned after the adjudication.

4. Given that the quantity and value of stocks, finished products, raw materials and other current assets (hereafter "Current Assets") vary daily. Hence, these will be transferred as they are on the day of the algoing of the sale of course.

Interested parties may be informed of the acoust level of Current Assets until the substitution of their office. The Liquidator and the Creditors

stateve the right to ask potential buyers for a special arrangement, pertaining to a possible interest in Current Assets. Offering the submission of their offer and prior to the signing of the contract. Potential buyers reserve a stantiar right with regard to a possible reduction to Current Assets.

5. Submissions: Binding offers together with the Letters of Gostration shall be submissed to scaled opaque envelopes.

6. Envelopes containing the binding offers shall be attended by the above mentioned. Notery Pobles in her office, on Monday, July 14th 1997, 13.00 hours. Any party having daily submitted a binding offer shall be criticled to attend and sign the deed attenting the binding of the binding.

assuad discount interest rate.

8. The Liquidator shall give written notice to the highest bidder to appear on the date and piace mentioned therein and execute the contract of sale in accordance with the terms contained in his birdiest offer and/or any other inspreed arms, which may be suggested by the Creditors and agreed upon. In the event of the highest hedder not complying with such obligation, the Letter of Goarmine shall be forfeited as a penalty. Adjudication shall be deemed in take effect upon exception of the contract rate and of the deed of payment of the price or in the case of credit, of the deed of payment of the openic and implospectation of securities, regarding the payment of the contracting amount.

9. All costs and experience of any instruct, including any tax (such as VA-TL, during, custom thomas, any changes in favour of the state or third parties, which may need to be paid (other than those excempted by the applicable law) in respect of the participation in the Auction and the transfer of the saste offered hereby for sale contract, as well as any other sat prior or subsequence to the transfer of assets shall be exclusively homes but the contracts.

transfer of the space offered hereby for sale contract, as well as any other and prior or autoequent to the transfer of assets shall be exclusively bonne by the purchaser.

10. The Liquidator and the Creditura shall have no liability nor obligation whatsoever towards the participants in relation to any possible sunlashous in the Offering Memorandum, the ovaluation of the offers or the appointment of the highest bidder or any decision to appet or cancel the Auction or any decision whatsoever in connection with the proceedings of the Auction. The Liquidator or the Creditors shall have no liability for any legal or semal defects of the assets. Submarsion of binding offers thell not credit any right for the adjudication nor the participants shall account say right, power or claim from this Call and/or their participants in the Auction against the Liquidator and/or the Creditors for any

In order to obtain a copy of the Offering Memorandson and soy further information please contact the Liquidator "Brindid Rephaticou SA, Administration of Assets and Liabilities", 9a, Chrystospiliotisals Sc. Athens 10560, Greece, Tel.: +30-1-323.14.84-7. fax.: +30-1-321.79.05 (amention of Mrs. Manika Françakia), or the Liquidator's agent, Mr Gourge Diminson, Français Sc. 9, Theseuloriki, Tel. +30-31-268.626, +30-375-71.221, fax. +30-21-237110, +30-375-71229

(the "Credition"), upon recommendation by the Liquidistor, to be in the best interests of all of the creditions of the Company. For the of evaluation, an offer to be pand instalments shall be assessed on the basis of its present value to be calculated by employing a 10%.

temorandum in respect of the Company and its assets upon signing a Confidentiality Aga TERMS AND CONDITIONS OPTHE AUCTION

(cee-bee-duh-meel)

company's name. When pro-

Sparebank, owned by a group of cent of Fokus, through a direct However, it has struggled to gain a long time, in effect accusing it of destabilising the bank and its

shareholders. The securities commission called on Sparebank to "reconsider it position, with a view to withdrawing the offer". Sparebank said it finance committee. It said this would respond soon – possibly this

carrying a hefty bid premium. The stock fell NKr4 to NKr68.

Norwegian law prevents investors from holding more than 10 per cent of a financial institution unless the holding is more than 90 per cent. Sparebank has circumvented this rule by buying Fokus share options.

However, this tactic came under fire from Norway's parliamentary week the 10 per cent rule should be applied strictly and is urging the rehrand later this month.

The regulator's intervention hit government to tighten its scrutiny of banking mergers.

Fokus has been seen as a takeover target amid a wave of restructuring which is sweeping Norwegian financial services. It last month lost a battle with Den norske Bank, Norway's biggest, for BNbank, a mortgage lender.

At the same time, Christiania, the country's second biggest bank, and Storebrand, Norway's largest insurer, have announced plans to merge. That proposal is due to be considered by shareholders of Sto-

Meanwhile, the dominance

There has been brisk com-

ticularly from companies

which already own archives

and can cut costs by selling

more films using the same

Seagram, fresh from the

October deal, has expressed

interest in Ciby's library.

PolyGram, the Dutch entertainment group, has also said that it will "look

closely" at the transaction.

Having unsuccessfully bid

last year for MGM/UA, the Hollywood studio, and Sam-

uel Goldwyn, the US inde-

pendent producer, PolyGram

is anxious to augment its

It may see the Ciby 2000

accelerating its attempt to

infrastructure.

film archive.

EUROPEAN NEWS DIGEST

EdP shares up **37.7% on debut**

Shares in Electricidade de Portugal gained 37.7 per cent in their first day of trading yesterday, as demand for the national power company drove volume on the Lisbon stock market to an historic high - about 10 times the normal level. Trading in EdP shares totalled almost Es38hn (\$217m), accounting for more half the Es65.5hn total. This compares with a normal daily trading volume of Es6bn-Es9bn.

EdP shares closed at Es3,099, up from Es2,250, the price at which 30 per cent of the company was sold on Monday in a heavily-oversubscribed initial public offer -Portugal's biggest privatisation to date - that raised Es368bn. Although the shares hit a peak of Es4,050, the bulk of trading was at Es3,050-Es3,200 and the average trading price was Es3,100, brokers said. A total of 12.24m EdP shares were traded, of the 101m on the market as a whole. Lisbon's BVL-30 index fell 0.15 per cent from Monday's record high, to 3,166.07 at the close. EdP. the biggest company quoted on the market, has not yet been brought into the BVL-30.

Dealers said demand was strong from international institutions seeking to increase allotments that were heavily scaled down after retail investors oversubscribed 37 times and institutions 25 times. Analysts said institutions were nevertheless moving into EdP relatively cautiously. "Investors appear to be buying on fundamentals rather than speculatively," said a Lisbon broker. "We expect to see EdP's share price stabilise at Es2,900-Es3,600."

Kiev share index launched

Wood & Co, a Prague-based stockbroking firm, yesterday launched an index to track share prices in the top 15 companies quoted on the Kiev PFTS stock trading system. The "Wood 15" index, which the firm says is the first for the Ukrainian equity market, has a base of 1,000 and closed last night at 1,010 in local currency terms.

The index comprises a 43 per cent weighting in the metallurgy sector, 38 per cent in utilities, 12 per cent in oil and gas, 3 per cent in chemicals, 2 per cent in machine building and 1 per cent in transport. The 15 companies have a market capitalisation of \$1.3bn.

BT Industries in US buy

BT Industries of Sweden, Europe's third-biggest supplier of lift trucks, has agreed the purchase of Raymond of the US, a rival truckmaker, for SKr2.9bn (\$373m). The acquisition will make BT the world's sixth biggest manufacturer of such vehicles by volume. The deal is to be financed partly by debt and partly by a rights issue of

BT had 1996 sales of SKr4.5bn and 3,600 employees Raymond is the fourth biggest lift truck maker in the US. with sales last year of more than \$300m.

SGL faces suit in US

SGL Carbon, the German carbon and graphite products group, said yesterday its US subsidiary had been cited in a class action suit by US steelmakers for alleged price fixing of graphite electrodes. The company's shares fell DM9.80, or 4 per cent, on the news to close at DM230.20

SGL said it would vigorously defend the lawsuit against SGL Carbon Corp, the US unit. The steelmakers' complaint initiating the class action also contained antitrust allegations against Ucar International, another graphite electrode maker, and Carbon/Graphite Group. SGL Carbon said the complaint had no specific factual ations against its US subsidiary and appeared to be based on a government investigation already announced.

The company's shares have slid from around DM260 earlier this month on news that US and European Union competition authorities were investigating SGL Carbon and competitors over alleged price-fixing. The German company has denied any violations.

Andrew Fisher, Frankfurt

IP rise in

De La Rue sells Polish patent

De La Rue, the UK printer, has sold banknote production and security patents to the National Bank of Poland, the central bank, for an undisclosed sum. The agreement signed yesterday follows an order worth more than \$10m which the NBP placed with De La Rue in 1994 for the printing of Poland's present banknotes. Under the present agreement, NBP will pass De La Rue's technology on to PWPW, Poland's own mint, which will be able to continue with the production of the country's banknotes but will also be able to offer currency production services to third Christopher Bobinski, Worsen

Skis Rossignol, the French ski maker, has reported a 34.2 per cent decline in net consolidated profit, from FFr115.7m to FFr76.1m (\$13m), for the year to March 31. Turnover was up 11.6 per cent, from FFr2.12hn to

The French CGT trade union has sent an open letter to

the money involved could be more usefully employed inside the company.

The announcement that Neste, Finland's The Neste-IVO move reflects state oil and gas group, and IVO, the electric overlap in gas and electricity ity generator, are studying a possible merger is the first sign in western Europe of corporate activity aimed at taking advantage of the increasing overlap between

markets. The idea of a generator and a gas company combining was attractive, Londonbased energy analysts said. However, they were scepti-

"It's an interesting idea," said one analyst. "But it's about synergies in the future rather than anything imme-

debate in the European gas and electricity industries about how to react to market trends that are driving the two sectors together.

efficient combined-cycle gas- over the next 13 years, to turbine power plants, which meet international commit-

can be built much more ments to reduce the emisquickly and cheaply than sion of greenhouse gases, conventional coal or oil-fired appears to have prompted facilities, has prompted the two companies to conmany oil companies with gas sider a merger.

assets to consider moving into power generation.

sectors are in the process of be the key factor in deciding full liberalisation, many oil, how to structure a combined gas and electricity companies have formed partnerships. Similar arrangements have emerged between Eni. Italy's oil group, and the generator Enel, as well as between Repsol and Endesa

in Spain. Enron, the US energy com-

decision to double the use of

Group also stand out as companies keen to capitalise on The Finnish government's

But the growing competitive environment in Nordic energy markets is likely to

The liberalised Nordic electricity market offers a

number of international energy companies have begun to appear. A divided Finnish energy industry would have been unlikely to withstand the pressure of competing with much larger international groups for a share of the regional market, said analysts.

ture with Neste to become more deeply involved with a combined group.

A merger will make "us a much more interesting part-

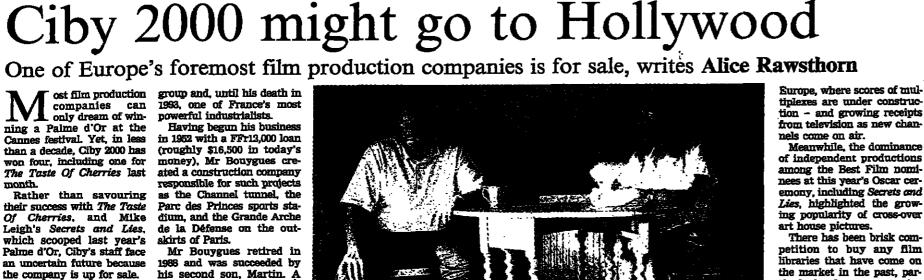
ner for them". Neste said. The Russian company's strategy in western Europe is to build its presence in the higher-value downstream

gas business to offset the relatively low margins in exporting gas. So far, Gazprom has done so mainly through equity

stakes in gas pipelines, but it is also said to be keen to enter power generation.

If it does, the stage could be set for a showdown in the Nordic region between Gazprom and its arch-rival Statoil of Norway, the other big European gas exporter. The Norwegian state oil and gas company has ambitions to be the leading provider of

Robert Corzine and Simon Holberton



Timothy Spall and Phyllis Logan in a scene from Mike Leigh's Secrets and Lies

before it was completed. Ciby then clinched similar deals with other acclaimed film makers, including Pedro Almodóvar of Spain, Britain's Mike Leigh, and the Bosnian director, Emir Kusturica.

The proposed sale of Ciby, to Cecil B. De Mille, the leg-Ciby has since won a which comes shortly after endary Hollywood mogul. Universal Pictures, part of Ciby began by buying a the Seagram group, took couple of French-language string of awards, including this year. three Palmes d'Or, and procontrol of October Films, the film libraries, and made its duced several commercial name internationally in 1991 hits, including Jane Campion's The Piano, Muriel's utor and producer, marks by financing the movie version of Twin Peaks, David Wedding, the cult Australian Lynch's cult television comedy, and Secrets and series. Twin Peaks received Lies, which cost \$5m to make mixed reviews before flopand has taken more than Ciby was the brainchild of ping at the box office, but Mr Francis Bouygues, Ciby made a profit from the \$53m at the box office. Its library now includes the founder of the Bouygues film by selling the interna-rights to 80 pictures, half of

tional distribution rights which are French-language. Under Paris stock market rules. Bouygues does not have to publish Ciby's accounts, and has consistently refused to do so. However, it is thought that Ciby produced a profit last year, albeit a small one, and is expected to stay in the black

> that Ciby's future has been Francis Bouygues' death. Earlier this year Mr Jean-

Campari

publishes

first time

et a film production company sits so incongruously with Bouygues' core interests pipeline clouded by doubt since Mr

three years, made informal approaches to prospective buyers in Hollywood. Having failed to find one, Bouygues business on the block.

The success of Secrets and Lies provides a promising backdrop to the proposed sale, particularly as Mike Leigh's next film, Career Girls, is ready for release after being previewed in Cannes last month. Ciby has 10 other productions in the

favourable. The revenue acquisition as a means of potential of feature films is rising rapidly, thanks to a François Fonlupt, Ciby's projected increase in cinema

has now officially put the

Market conditions appear

become the first European company to succeed in chief executive for the past admissions - particularly in Hollywood.

Campari, the Italian family-controlled drinks group, yesterday broke 137 years of silence on its financial affairs by publishing its annual accounts and report ing first-quarter results.

It stressed the move did not imply the company was about to seek a stock market listing, although it would not rule that out in the longer term.

According to Mr Marco Perelli-Cippo, chief executive, the move reflected Campari's efforts to adapt to the financial markets' demands for transparency.

He acknowledged, however, that the decision was made easier by the company's encouraging results last year and even stronger performance in the first quarter this year.

Although net revenues fell from L670.5bn in 1995 to L592.8bn (\$349m) last year, net income rose from

L53.2bn to L123.3bn. Last year the company also had a positive cash flow of L224.1bn and a net positive financial position of L74.4bn, compared with negative cash flow of L347.3bn and a negative financial position of L153.1bn in the

In the first quarter of this year, operating income rose 158 per cent to L28bn, while net revenues climbed 18.6 per cent to L158bn.

Two years ago Campari absorbed the Italian drinks interests of BolsWessanen, the Dutch food and beverages group; which in turn red a 35 per cent stake in the Italian company. The remaining 65 per cent stayed with the founding Garavoglia family.

Mr Perelli-Cippo said Campari had also restructured, which meant shedding its 51 per cent stakes in the Ottavio Riccadonna sparkling wine business and the Monticchio mineral

water company. "The combination of all this gives us the chance of expanding through an acquisition should a good opportunity emerge,"

BolsWessanen, however,

has indicated its intention to focus increasingly on food rather than beverages. The Dutch group has already sold some of its drinks interests and has also suggested it might consider selling its Campari stake.

LVMH takes accounts for £27.4m stake in GrandMet

By David Owen in Paris

LVMH, the French luxury goods group, yesterday paid £27.4m (\$44.9m) for a small stake in Grand Metropolitan, adding an intriguing new wrinkle to the dispute over the UK company's proposed merger with Guinness to create the world's largest spirits and wines group.

The French company said it had paid an average of 577p for 4.75m GrandMet shares, equivalent to 0.23 per cent of the UK group's capital. It said it did not intend to make an offer for the whole company.

LVMH is Guinness's largest shareholder, with a 14 per cent stake.

ulated that Mr Bernard Arnault, LVMH chairman, was making mischief again after casting renewed doubt on the proposed deal last week by starting arbitration

LVMH said on Friday it had submitted a request for repurchase Guinness's 34 per arbitration to the International Chamber of Commerce in Paris, an independent body for arbitrating commercial disputes. •

It said it considered the key emerging markets.

Observers last night spec-

"control event" that would trigger certain rights for LVMH under the terms of agreements with Guinness. The UK company contests the claim, saying it "lacks any legal basis". Although the formation of the merged entity, to be

planned £23.8bn merger a

known as GMG Brands, is structured as a Guinness takeover, Mr Arnault sees it as a GrandMet bid, in which the latter company emerges with the important jobs. Mr Arnault, a Guinness board member, voted against

the merger, which was announced by the two companies on May 12. They proposed that the drinks interests of all three companies be merged and the food businesses spun off.

LVMH argues the merger would give it the option of purchasing - at net asset value - Guinness's interests in all their existing distribution joint ventures. It says it could also exercise rights to cent holding in its Moët Hen-nessy drinks arm at a discounted price. Ending the joint ventures would end Guinness' control of sales in

Skis Rossignol slides 34%

Dassault dividend opposed

Mr Dominique Strauss-Kahn, finance minister, asking him to ensure that proposals for a sharply increased dividend payment by Dassault Aviation, a privately-controlled aircraft maker in which the French state holds 46 per cent, are blocked. The union believes

Capitalising on convergence

the gas and electricity

cal that the proposed merger would happen quickly.

> diate." There has been much

In the UK, where both

pany, and the UK's Eastern the markets' convergence.

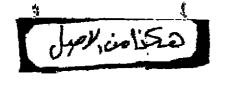
The introduction of highly natural gas in the country

proving ground in which a

raised by yesterday's proposal is whether Gazprom,

One intriguing question

energy in Scandinavia.



resum whenever. 11. This Call has been drafted in Greek and translated into English. In any ovent, the Greek version shall prevail,

tive missio

deals next month.

Tokyo.

focus on specific areas, such

as securitisation. But the

move highlights a new cor-

porate dating game in

Japan's plans for "Big

Bang" financial deregulation

have set western banks and

fund managers scrambling

to expand in the Japanese

market, partly by flirting

with potential Japanese

These contacts are not

entirely new. Most foreign

banks in Tokyo have been

dealing with Japanese

clients for more than a

decade. Barclays, for exam-

investment advisory venture

with the Nikko group, which

it took over from Wells

Fargo, of the US, last year.

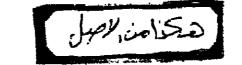
But the links are gather-

ing pace. Apart from Bar-

clays' move, three other big

deals between Japanese and

business partners.



Gencor poised to launch bid for QNI | By Nikki Teit in Sydney and Mark Ashurst in Johannesburg | London Stock Exchange today. QNI stock was suspended at AS2.68, which capitalises the Aus | A merger would also enhance Gencor's expansion in Asia and South America. The South African group owns the Maggie Hays - Indeed worder in Western Austra | A merger with Gencor would also enhance or south African group owns the Maggie Hays - Indeed worder in Western Austra | A merger with Gencor would also enhance or south African group owns the Maggie Hays - Indeed worder in Western Austra | A merger with Gencor would also enhance or south African group owns the Maggie Hays - Indeed worder a sharp decline fro

is expected to bid for QNI, the Australian nickel producer. A merger would create the world's fourth-

largest nickel group. QNI shares were suspended this week, pending a meeting of its board yesterday. Gencor directors also met in Johannesburg yesterday, and an announcement for investors will be issued by the

A merger would create a nickel producer with annual capacity of 130m pounds and a market capitalisation of about US\$1.7bn.

QNI and Gencor last year announced a study to investigate the development of an integrated nickel and cobalt processing facility in a joint venture with Indonesia's state-owned PT Aneka Tambang. This could include a new

Indonesia and expand QNI's Yabulu refinery.

Yabulu, which is situated close to Townsville in Queensland, is mine in Colombia, which was prione of the world's largest lateritic nickel-cobalt processing plants. QNI stopped mining at the local Brolga and Greenvale mines some years ago, and now imports ore from Indonesia and New Caledonia for processing.

Tokyo Big Bang draws westerners

Gencor's expansion in Asia and acquire tenements in the northern cent of the Cerro Matoso nickel vatised earlier this year.

QNI, meanwhile, has been expanding its alliances in New Cal- cent on the March 1996 quarter. edonia. Last year, it agreed to southern province with Noumea Enterprises. It also took a 67 per tonnes.

rified of ceding control to

It is no accident that two

of the recent deals have

involved weak Japanese

financial groups - namely Takugin (with Barclays) and

Nippon Credit Bank (with

Bankers Trust), which are

both plagued with high levels of bad loans.

Foreign groups are wary of

tying themselves too closely

to potentially troubled Japa-

nese partners - particularly since Big Bang will give for-

eign banks greater scope for

But in some areas, collaboration is increasingly attrac-

tive - for example, in securi-

tisation, as most Japanese

banks urgently need to

restructure their balance

Fund management is

another focus. The country's

main life assurance compa-

nies are under pressure to

improve their investment

many are already using

foreign fund managers for

some overseas investment,

most are exploring ways

of contracting out more of

their portfolios to foreign

These talks are not simple.

operating on their own.

foreign competitors.

First-half profits for QNI in the six months to December 1996 lia, in partnership with the smaller showed a sharp decline from the Forrestania Gold group, and 99 per previous year, while the company's performance in the quarter to end-March was also disappointing. Heavy rains and flooding meant nickel output fell almost 10 per Nickel production in the last full

explore nickel tenements in the year was 26,600 tonnes, while cobalt production totalled 1,425

cluded one alliance to man-

age some pension funds for Nippon Life, Japan's largest

life assurance company. "I

think you will see more and

more link-ups in the coming

months." Mr Vamamoto

business. A mere 3 per cent

of Japanese personal assets

is held in investment trusts.

and many foreign banks are

applying for investment

ing collaborating with Japa-

nese brokers - or even with

commercial banks, which

will be allowed to distribute

these investment trusts as

Barclays, for example, is

applying for an investment

banking licence and hopes

that Takugin, which is the

largest lender in the north-

provide one distribution out-

berald fully-fledged mergers

or takeovers is unclear. Most

Japanese financial institu-

tions are expensive, overstaf-

Nevertheless, the possibil-

ity of stronger ties is provok-

ing intense reflection. As

one senior western banker

fed and burdened with high

levels of bad debts.

Whether these alliances

part of Big Bang.

Western banks are explor-

₹ he area arguably pro-

voking the most inter-

est is the mutual fund

ASIA-PACIFIC NEWS DIGEST

FBDC cancels IPO this year

Fort Bonifacio Development Corporation, the consortium which is redeveloping the former US airbase of the same name in Manila, has cancelled plans for an initial public offering this year because of the under-performance of the Philippine stock market.

Mr Ricardo Pascua, president, said the company was unlikely to float 10 per cent of its shares this year as previously announced, but it would launch a bond issue possibly as early as next month. The share issue will now have to wait until the market picks up and would be

worth about \$300m, he said. The company, which owns 214 hectares in the development of a 440ha city, twice the size of Manila's main business centre, made profits of \$40m in its first year of trading to December 1996, partly from pre-sales of property worth \$1.1bn last November. "In four days we sold what we were supposed to sell in five years. This is beyond our wildest dreams," said Mr Pascua. The company needs to raise large amounts of money to stick to its plan of paying \$1bn by 1998 towards the redemption

of preferential shares. Yesterday FBDC signed four joint venture agreements with European companies which will help in the

construction of a metropolis worth \$25hn. Arkady Ostrovsky

Foster's wine unit offshore move

Mildara Blass, the winemaking subsidiary of the Australian Poster's Brewing Group, is to move offshore with a joint venture in Chile and the formation of winemaking operations in California. The Chilean deal is with Vina Santa Carolina. The two companies plan to develop and market jointly a "global" wine brand, aimed mainly at the UK and US markets. The California agreements are for grape supply and use of contract winemaking facilities, with Mildara planning to brung a Californian brand on to the US market, through its US sales network, in 1998-99.

The company, which was acquired by Foster's last year, is one of the biggest winemakers in Australia, and claims to be among the top 10 worldwide. Nikki Tait, Sydney

Cathay Pacific appointment

Cathay Pacific, Hong Kong's main airline, has appointed Mr Rob Atkinson as finance director to replace Mr Victor Hughes following his retirement. Mr Atkinson was group managing director of Swire Fraser Holdings, a London AFX Asia, Hong Kong insurance concern, until May 1.

Singapore Airlines deal likely

Singapore Airlines is likely to announce this week the formation of a commercial agreement with Ansett of Australia and Air New Zealand, industry executives said. The agreement is understood to include joint pricing strategies between the airlines and code sharing on routes between Australasia and Europe, via Singapore. Singapore Airlines is also considering taking an equity stake in Ansett but talks on this are at a preliminary James Kynge, Kuala Lumpu

MBf merger talks blocked

Malaysia's central bank has withheld approval for MBf Capital, Malaysia's leading finance company, to continue merger talks with Suria Capital Holdings, a state company which owns Sabab Bank, one of the country's smallest banks. Neither MBf nor Bank Negara, the central bank, gave a reason for the decision. The central bank has been pushing for mergers in the banking and finance sector. Officials said last week that the proposed merger would be approved only if it could be proven to be in Malaysia's interest. Analysts said the news would be interpreted negatively for MBf, which has requested that the company's shares remain suspended until further

Goodman purchase approved New Zealand's Commerce Commission has approved the

purchase by Goodman Fielder, the Australian foods group, of Defiance Food Industries' milling and baking operations in New Zealand. As part of the deal, Goodman will sell its Champion flour mill in Christchurch to Allied Foods, part of the George Weston group,

Keppel to refocus its investment strategy

By James Kynge in Kuala Lumpur

Knew white index launded

WI finitistities in US in

In the line of Philips

Keppel, one of Singapore's largest conglomerates, is refocusing its overseas investment strategy away from China and towards south-east Asia, said Mr Sim Kee Boon, chairman.

"We are refocusing our regional investment strategy to concentrate more on Asean countries to generate shorter-term returns," Mr Sim said.

Asean, the Association of South East Asian Nations, bas seven members but is due to admit Burma, Laos and Cambodia in July. "Our experience shows that projects in countries such as China have to be seen as longer-term investments." Mr Sim added.

Most Asean countries are regarded as more transparent for business than China and growth rates are also attractive.

Keppel, one of a handful of Singapore companies with strong links to the government, was at the forefront of Singapore's investment honeymoon with China and led the establishment of the China-Singapore Industrial Park in Suzhou, near Shang-hai, in 1994. Total investment in the park to date has been US\$2.5bn, substantially less than originally forecast. | foreign partners have

The talks between Barclays and Takugin highlight trend towards collaboration



Lune: Putnam investments, the US fund manager, and Nippon Life, Japan's largest Rie assurance group, agree to collaborate in fund management. Putnern will manage some pension funds for Nippon Life and the two groups will swep information on financial

June: Barclays, the UK banking group, and Hokkaido Takushoku (Takugin) announce collaboration talks. A planned tie-up is expected to involve joint development of securitisation products and the sales of financial products, such as investment trusts. Barcleys may also offer overseas services, such as underwriting, to Takugin's domestic clients.

ple, already has a joint chief executive of Barclays' "Deregulation is going to offer some exciting opportunities in Japan, and if other honey pot of personal companies feel like us they may be looking for deals

emerged since March, and houses and insurance groups expectations are rising in lack many of the financial Tokyo that more will soon skills and products that western banks and fund Mr Andrew Simmonds, managers can offer. Meanwhile, foreign groups lack operations in Tokyo, says: the distribution networks to tap into the country's corporate client base - and its

> savings. Forging these alliances is difficult. Many Japanese

As Mr Hitoshi Yamamoto. president of Deutsche Morgan Grenfell trust bank in Tokyo, says: "We have been talking to Japanese life companies, but many see us as a competitor."

groups.

However, Putnam, the US Japanese banks, securities financial institutions are ter- fund manager, recently con-

says: "The Barclays deal will not be the last." Sharp rise in Hongkong Electric shares

performance. Although em island of Hokkaido, may

Hongkong Electric

By John Ridding in Hong Kong

Shares in Hongkong Electric rose sharply yesterday amid speculation that Mr Li Ka-shing might increase his holding in the utility or sell a stake to a strategic partner. A rise of almost 6 per cent in the shares took their climb to more than 11 per

broader rally in the utilities

sector and came against a falling stock market.

While Hongkong Electric tion focused on China Everbright, the fast-growing conglomerate controlled by China's state council. However, the Chinese

company said it was not interested in a stake in China Everbright is one of

the most active mainlandbacked companies in Hong

Kong. It bought an 8 per nated as Mr Li's main infracent stake in Hongkong structure vehicle in China Telecommunications last Chinese companies have

made several strategic moves in Hong Kong ahead of the transfer of sovereignty, but analysts played down the prospects of a deal with a mainland-backed Cheung Kong Infrastructure, rather than Hongkong Blectric, had been desig-

as part of a restructuring of

"CKI was given first dibs in power in China and Hongkong Electric was given more of a regional role," said Mr Eric Savage. at Salomon Brothers.

Reports of a possible deal were fuelled by news that Mr Zhu Xiaohua, chairman of China Everbright, held

meetings vesterday at the Securities and Futures Commission, the territory's stock market regulator.

meeting, but it came as part of series of discussions with senior executives of "redchip" companies. Red chips - Hong Kong-

listed subsidiaries of mainland groups - have been at the centre of stock market

This announcement appears as a matter of record only.



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Rio appeals over Banerj decision

By Geoff Dyer in São Paulo

The Rio de Janeiro state government was yesterday trying to overturn an injunction suspending the privatisation of Banerj, the stateowned bank, which had been scheduled to take place at an

auction yesterday.

Lawyers for the state government launched an appeal in a Rio court against the state government's plan to injunction, which was assume the bank's debts to injunction, which was awarded on Monday evening after the trade union of the bank's employees had chal- which was meeting yester-

tus of Banerj's pension fund. The auction, which had been scheduled to take place on the Rio de Janeiro stock exchange, would have been the first privatisation of a state bank in Brazil and had been expected to begin a wave of sell-offs of other state-owned financial institu-

However, before the auction could take place, the the pension fund still had to be approved by the Senate, lenged the future legal sta- day to discuss the matter.

tion, but analysts said there was a good chance the sale would be delayed until at least today,

Questions over the bank's pension fund have dogged guarantees to allow them to the Rio government's participate - Bradesco, attempts to sell Banerj, and forced it to postpone the first planned auction in Decem-

Federally-owned Caixa The Brazilian press Economica Federal has set reported last week that Pacup a R\$2.9bn (US\$2.7bn) loan to cover the deficit in the pension fund. However, there is still some uncer- whether all four banks do Sul.

it still hoped to hold the auc- the obligations of Banerj's auction, given the uncertainty surrounding the pennew owner to the fund. Only four of the eight sion fund. In particular, analysts said the positions of banks which pre-qualified

for the auction have presented the necessary financial uncertain. Banco Itaú, BCN and Banco Pactual, a local investment bank which is acting on behalf of an unnamed client. states

tual's client had decided to withdraw. It was not clear yesterday

The Rio government said tainty among banks about would actually bid in the Bradesco and BCN were still

> Other state banks in line to be privatised are Banespa. which is in São Paulo; Credireal, located in Minas Gerais; and the banks of Pernambuco and Santa Catarina

> The federal government is also planning to sell Banco Meridional, based in the southern state of Rio Grande

protect price of its shares

in New York

Tele-Communications Inc,

The sale of the shares had

John Maione 24 years ago.

prospect of a large block of TCI's stock being sold publicly, a concern that added price earlier this year. TCI's stock has recovered

The competitive threat from satellite broadcasters has appeared to ease with the retreat of Mr Rupert Murdoch, who had planned a full-frontal attack on the

The industry was also helped by Microsoft's \$1bn investment in Comcast last week, a deal that strengthened belief in the value of the cable-TV companies' lines into US

Under the arrangement announced yesterday, Mr Magness's estate will sell TCI stock worth more than \$529m to Merrill Lynch and Lehman Brothers. The two investment banks have agreed to hold the shares for two years. At the end of that time, TCI will take on any loss or gain from the sale of

US cable group to

the biggest cable television company in the US, yesterday took steps to underpin its rebounding share price by in effect underwriting more than \$500m worth of its stock, which is being sold by the estate of Mr Bob Magness, the company's late

been prompted by an esti-mated \$500m tax bill fated by the estate, following Mr Magness's death late last

Mr Magness built his small rural Texas cable company, which he founded in 1956, into an industry leader before handing over the chief executive's job to Mr

The tax bill had raised the to the slump in the share

in recent weeks, however, on the back of Wall Street's renewed confidence in cable television companies' pros-

market

The deal will leave Mr Malone, who is also TCI increase his existing 7 per cent voting stake in the company.

Under a complex swap arrangement, part of Mr Magness's holding of TCI's B shares, which carry supervoting rights, will be given to the company in exchange for 30.5m of the more widely held A shares, and these will be sold to the investment banks.

Mr Malone, meanwhile, will have a right to buy the B shares from TCI over the next two years.

AMERICAS NEWS DIGEST \$647m charge puts Heinz in the red H. J. Heinz, the US food company that announced plans

for a restructuring earlier this year, yesterday reported net losses of \$229.6m for its fiscal fourth quarter to April 30, compared with net profits of \$170.2m in the same quarter last year. But excluding a pre-tax charge of \$647.2m for the restructuring, the company said it would have made net profits of \$186.2, up 9 per cent from the year-ago period.

Earnings per share would have been 50 cents without the restructuring charge, up 11 per cent from the 45 cents reported a year earlier and 2 cents better than predicted by analysts. Full-year net profits were \$301.9m, or \$722.8m. without the restructuring charge, compared with \$659.3m the previous year.

Fourth-quarter sales fell 3.5 per cent to \$2.45bn. but

Heinz said this was mainly because it had eliminated inefficient end-of-quarter promotional practices that some food companies use to achieve their sales targets. In March, Heinz announced plans to cut 2,500 jobs, or 6 per cent of its total workforce, as part of a reorganisation aimed at securing earnings growth of 10-12 per cent a year into the next century. Mr Anthony O'Reilly, chairman and chief executive, said many of the initiatives incorporated in that plan were now well under way.

Richard Tomkins, New York

NCR warns on earnings

NCR, the computer company spun off by AT&T last year, warned yesterday that earnings for its second quarter would not meet Wall Street expectations. Results for the quarter would be an improvement on the same period last year, when the company reported a loss of 18 cents a share, but were set to be below analysts' estimates for net income of about 11 cents a share.

NCR blamed the shortfall on a drop in revenues and profits from services, as well as lower orders and revenues for computer systems. However, the company remained optimistic that for the full year it could improve orders and revenue in core businesses, operating income, and per-share results.

Mr Lars Nyberg, NCR chairman and chief executive, said the company aimed to strengthen its sales and services operations by recruiting nearly 800 new employees this year. The sales force would also be reorganised into dedicated teams focused on professional services, hardware, software, implementation and support services.

'We're on a pathway to transform our business - after a fast turnround in 1996 – [in order to achieve] an annual revenue growth rate of 9 to 12 per cent" in three years, Mr Nyberg said. "We are confident of long-term success. NCR shared were off \$1%, or 4 per cent, at \$29% in Louise Kehoe, San Francisco mid-session yesterday.

Oracle in BP software deal

Oracle, the US software company, has signed a letter of intent to acquire a software development group and product from British Petroleum. The group, with about 70 employees - most of them based in the UK - has developed software for gasoline refining, marketing and distribution management.

Oracle will commercialise and upgrade the software for

sale to other companies in the energy sector. Terms of the agreement were not revealed, but BP will receive royalties on Oracle sales of the software. Oracle expects to close the deal within 90 days.

The move reflects Oracle's strategic push into vertical industry software markets. Earlier this year the company released software for the consumer goods industry. Louise Kehoe

Investors shun Mainframe Investors appeared to shy away from Mainframe

Entertainment, a cutting-edge Canadian computer imaging company, on its first day on the Toronto Stock Exchange yesterday despite high expectations for the company, which produces the hit children's computer-animated TV series Reboot. Officials handling Mainframe's initial public offering said the issue had been oversubscribed and they appeared optimistic about the company's prospects, but the Vancouver-based group's share price was down 20 cents from its offer price to C\$9.55 at midday in light trading. Mainframe has attracted strong attention with

proprietary software that helps it create detailed, vibrant graphics at a speed unmatched in the industry. Analysts remain excited by the company's prospects of producing a fully computer-generated feature film, an initiative seen as likely to boost Mainframe's share price. The company has acquired an option on a popular children's book and is in negotiations to produce the film.

Scott Morrison, Vancouver

Micron rise fails to impress

Shares of Micron Technology, the US memory chip manufacturer, declined yesterday despite higher than expected earnings for the third fiscal quarter, ended May 29. The company reported third-quarter net income of \$97m, or 44 cents a share, compared with \$58m, or 27 cents, in the same period last year. Earnings were also well above analysts' projections of 39 cents a share.

Revenues increased 25 per cent from \$771m in the year-ago quarter to \$965m, as Micron benefited from a slight increase in memory-chip prices, a reversal of the sharp decline in prices over the past two years. Improved production yields also boosted earnings, the company said. Memory chip sales rose from \$416m a year ago to \$511m. Personal computer sales were up 30 per cent on a year-on-year basis, but declined approximately 7 per cent compared with the second quarter.

Micron's shares were off \$\% at \$41\% yesterday lunchtime after Credit Suisse First Boston downgraded

Kennecott in Mexico venture

Kennecott, a US unit of Rio Tinto, the London-listed mining giant, and private Mexican miner Minera Tayahu said yesterday they had signed a joint venture called Kennecott Tayahua to operate Mexican mines. Kennecott will take control of 65 per cent of 16 of Tayahua's mines, the companies said in a statement.

Reuter. Monterrey

Hater Salara Sant Brown

Sprik Hald int

The group aims to expand without worrying markets, says Clare Gascoigne emex, the world's third-largest cement company, plans to increase revenues from Asia five-fold over the next five years - from the current 4 per cent of total sales to

Cemex seeks partnerships in

about 20 per cent - according to Mr Lorenzo Zambrano, chairman and chief The Mexican group, whose revenues have grown from 11.48bn pesos in 1990 to 26.52bn pesos (\$3.33bn) last

year, is determined to sustain the recent rapid expansion that has brought it global prominence in the sector, behind Holderbank of Switzerland and Lafarge Coppée of France. Mr Zambrano sees Asia as

the group's next target. "There are a lot of young people there needing houses." he said in an interview. He added that Cemex had an instinctive understanding of how Asian markets operated. "Cement markets in Asia and Mexico are very similar," he said. "In Asia, cement is a consumer product; in Europe, it's a commodity product. In Asia, brands matter, and Cemex products sell at a premium; in Europe, they don't."

However, unlike its growth in Latin America and Europe, where it has expanded mainly through acquisitions, the company plans to work with local partners in of a flat share price; by the Asia, rather than buying end of the year, its debt to by having a majority, but by having operating control," said Mr Zambrano.

Such caution follows someone else - so we partly from the unfavourable reaction of the markets to Cemex's most recent move to gain volume by acquisition - its \$700m purchase last year of two Colombian

cement companies. Investors were alarmed by the levels of debt Cemex was new chief financial officer, building up and became nervous about its rapid growth strategy. Shortly afterwards. Cemex was forced to pull a

company, but we have tional purchases without \$340m equity issue because purchase. "If we hadn't

then it would have gone to tions," he said said. "The timing was unex-The group has mean-

excess capacity in Spain and diluting equity. Mexico, and will have excess outright. "We want to equity ratio was 53 per cent. in Colombia. We will not \$148m in the first quarter of to make for the next two to three years, so all our cash flow can be used for acquisi-

> while made efforts to manage its \$3.9bn debt; interest cover in the first quarter of 1997 was 1.97 times, and will be 2.5 times for the rest of the year. The group plans to buy back up to \$200m of stock in the next 12 months, and has put in place a \$600m revolving

Looking east: Lorenzo Zambrano (left) and Roderigo Treviño see cement as a consumer product in Asia, as in Mexico

in Mexican accounting same time." would help Cemex convince sceptical investors of its merits. "We are a multinational, but have been adjusting all our figures for Mexican inflation rates," he complained. Now the group is to restate figures accord-

ing to a basket of currencies. The disadvantages of beyond the accounts. We are perceived to be

domiciled in a developing Interest expenses fell from market," said Mr Zambrano. "Yet our operating margins quarter of 1997, and all debt or McDonald's. We have is now dollar-denominated. achieved stability by being Mr Treviño said changes in several markets at the

volatile because we are

Emerging markets are also, he points out, those with the highest growth rates. Yet the investment community view of the company as a risky venture is so frustrating that the possibility of moving domicile has crossed his mind. "We not considering it in

being based in Mexico go the short-term - but we do let our imaginations roam,"

"We are a capital-intensive

hought Cementos Diamante.

decided to plunge in." he

pected but we knew that the

synergies would be enor-

mous. It would have been a

very short-term decision to

also insisted the Colombian

venture had not damaged

Mr Roderigo Treviño, the

forego the opportunity."

the company financially.

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sts in the Global Instru (GIC) evidencing shares in Chemical Works of Gedeon Richter, Ltd, Budapest ("Gedeon Richter"

Referring to Art. 13 of the GIC conditions. Desterreichische Kontrollbank AG ("OKB") gives notice of termination of the Global Instrument of Certificases ing shares in Gedeon Richter. Such termination will take effect on 4 August

The reason for such termination is that OKB as Depositary has been served notice of termination by Gedeon Richier pursuant to the agreement dated 27 September 1994, as amended by the supplemental agreement dated 16 November 1995, between OKB. Gedeen Richter, Creditansult-Bankverein ("CA") and Budapete Bank Rt. Gedeon Richter has appointed Bank of New York, New York ("BoNY") as new tory. BoNY offers the investors having interests in the OIC to each interests for "Regulation S Depotitary Receipts" ("GDRs") issued by BoNY. The conditions of receipt of GDRs are available from CA, Head Office, Schottengasse 6-8. A-1010 Vienna, Austria. The GDRs will be listed on the Luxembourg Stock

Exchange and on SEAO International. OKB requests the investors having interests in the GIC to Inform it through their in tranks not later the 18 July 1997 if they wish to make use of the offer of BoNY. In such a case, OKB will make available to BoNY the respective shares for the purpose of issuing GDRs. The costs in respect of the exchange will be borne by BoNY.

Pursuant to an agreement between CA and OKB as well as Budapest Bank Rt. strates in Gedeon Richter may continue to be held in the form of interests in a GIC newly established by OKB. If OKB does not receive exchange instructions from the lian banks, the states in Gedeon Richter will be evidenced by the GIC newly established by OKB. The shares in the newly established GIC will be traded on the Unrega-

handel") of the Vietna Stock Exchange.

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Canadian Pacific sells C\$1bn Laidlaw stake

By Bernard Simon

Canadian Pacific has further narrowed its focus on the transport and energy sectors by disposing of a 47 per cent voting and 11 per cent nonvoting interest in Laidlaw, the Ontario-based school bus and ambulance operator.

Canadian Pacific raised C\$1bn (US\$724m) by selling its Laidlaw shares to a group of underwriters led by RBC Dominion Securities and Nesbitt Burns. The underwriters will sell the shares on to investors for C\$18.85 each, payable in two annual instalments.

CP expects to post a raising its debt-to-equity C\$275m gain from the sale. which marks one of the final stages in its efforts to reverse the diversification of the early and mid-1980s. With interests stretching from metals to an airline, investors at one time consid-

ered CP a proxy for Canada's Following a series of dis-

posals, the company's main businesses comprise Canadian Pacific Railway, CP Ships, Fording Coal, and a controlling stake in PanCanadian Petroleum. CP reported first-quarter

revenues of C\$2.2bn. Equity-

accounted income from Laid-

law was C\$23.2m, up from C\$5.2m a year earlier. Mr Peter von Ond, analyst at Midland Walwyn in Montreal, estimated that the spate of disposals gave CP access to as much as C\$4bn in cash and debt, without

ratio above 50 per cent. Mr David O'Brien, CP chief executive, said the ment moved it away from Laidlaw sale would achieve waste management towards the objective "of narrowing our business focus and concentrating our resources on our core businesses,

its war chest. Possibilities mentioned by analysts include a bid for a sizeable US railway company, or a share buy-back. Both CP and Canadian National, its arch-rival, are rumoured to be interested in Illinois Cennet income of C\$182m on .tral, a Midwest railroad which would dovetail with their extensive Canadian networks. CP bought its stake in

The company has vet to

divulge how it plans to use

Laidlaw a decade ago from Mr Michael de Groote, Laidlaw's founder. It was widely criticised for years afterwards for paying a premium for a business it did not understand.

But Laidlaw's fortunes improved, as fresh managewaste management towards specialised transport. It is now one of North America's biggest school bus and ambulance operators.

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@fl.com

Motorola plans global satellite network

By Richard Waters

Motorola, the US maker of telephone equipment and semiconductors, is planning the latest in a growing line of ambitious global satellite networks, it emerged yesterday.

The Chicago-based company's

plans are a long way from fruition, though, since it has yet to line up any financing or partners for the The satellite network, to be called Celestri, would compete in one of the

fastest growing parts of the global

communications business: the provi-

sion of complete voice, data and before selling out to AT&T. That ser- and Loral - has prompted concerns

could include traditional telephone companies and people in remote locations that have a heavy need for high-speed internet access and other broadband services - for example, telecommuters working from home.

The Motorola plan echoes a rival system, Teledesic, which is being created by Mr Craig McCaw, the US cellular telephone business venture between Alcatel-Alsthom brought into the venture.

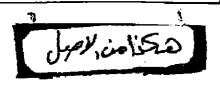
Celestri. Like Teledesic, the Motorola sys-

orbit satellites. The emergence of these and other

SECTION STORY CHAIN video communications to large com- vice, which also has the backing of in some quarters over whether panies that operate around the Microsoft and Boeing, is due to begin demand for international broadband STANDARD BOLD DESIGNATION OF THE PERSON OF T in 2002 - the same date that Moto- data communications will grow fast Other customers for such a service rola is believed to have targeted for enough to justify all these competitors.

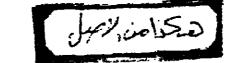
Motorola itself already owns 21 per tem is expected to rely heavily on a cent of Iridium, a company which network of low-orbit satellites, launched the first of its satellites which are expensive to launch and .last month. Until the other systems maintain but which provide a higher are up and running, Iridium hopes to quality service than traditional high-sell a mobile telephone service to customers anywhere in the world.

The company began as a Motorola entrepreneur who built the largest planned services - including a joint unit, before other partners were



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COMPANIES AND FINANCE: UK

Thames raises pay-out 22% Downgrades help

Hein charge N By Jane Martinson

> Thames Water warned yesterday that it could introduce a hosepipe ban this summer as it announced a 22 per cent increase in its what we have done is annual dividend payout.

The London-based utility's announcement came only weeks after the new Labour government stepped up its tal base after last year's 10 improved 9 percentage investment and reduce high

It coincided with the publiof Ofwat, the industry regulator, expressing concern about "unjustifiably high dividend increases" which undermine investment. Ofwat said it was not con-

By Raymond Snoddy,

British Sky Broadcasting's

equity stake in the British

Digital Broadcasting consor-

tium would rule the consor-

tium out of the contest to

launch commercial digital

terrestrial television in the

It has decided that the con-

sortium - currently com-

posed of BSkyB, Carlton

Communications and Gran-

ada Group - would concen-

trate too much power in too

few hands in its present

The consortium is being

"multiplexes", or

challenged for the right to

By Simon Holberton

(\$325m) by 2003.

RESULTS

Cardiff Property

PowerGen, Britain's second

biggest fossil fuel generator,

yesterday said that it

profits of about £200m

In a presentation to inves-

King, group managing direc-

tor, said that, if contribu-

tions from PowerGen North

were included, trading prof-

tors and analysts Mr Deryk jects.

ments to produce trading Hungary.

UK, the Independent Televi-

sion Commission has said.

As the same of carning

Control of the safety

Is a store steam Vignition

the state of the s

dend increases were "sus- erament is expected to tainable". The regulator is unveil a windfall tax on pripreparing guidelines for its next price review.

chairman, said: "I think group, for its performance group argued that half of the dividend increase was due to \$200m reduction programme the effect of a reduced capipressure on the sector to lift per cent share buy-back. A turnround in its non-regulated division, still a small part of its business, also concation of the annual report tributed to the increase, so that the core water profits provided just a quarter of

the rise, he said. The group also warned that investment levels could be put at risk by "an excesvinced the industry's divi- sive" windfall levy. The gov-

Digital Television Network.

a company run by CableTel,

the cable television and

broadcasting services group.

United News and Media.

publisher of the Express

newspaper, has said it would

lation, the ITC must ensure

any franchise award would

not limit competition. It has

consulted all the competition

authorities, including the Office of Fair Trading and

Oftel, the telecommunica-

tions regulator, and the

Talks are now going on

Two options are being con-

between the shareholders of

BDB to decide how to meet

PowerGen sees earnings abroad

announced three interna-

tional power projects (IPPs)

It has seven other interna-

in greenfield generation pro-

the 1.450MW Yallourn power

However, the company's

0.24L 2.85L 16.1 0.21

(10.5) (65.5) (0.35)

(185.3)

(1022) 14.7 (71.9) 64.7 (-) 0.411 (768) 32.3♠ (28.4) 1.96 (48.4) 7.05 (6.96) 0.455♥ (34.4♠) 32.8 (18.1) 8.39 (138.2) 7.47♠ (80) 5.81♠ (12) 0.32♣ (1.194) 371.8

7.47 4 5.81 4 0.32 4 371.8

4.56 7.14 5.06♠

(0.176) (0.812) (13) (12) (25.2%) (18.7) (26.2) (18.7) (3.4) (0.08) (0.283) (49.4) (7.89) (18.6) (1.5 %) (1.5 %) (1.5 %) (1.5 %)

(3.51) (6.78) (10.17****)

Earnings shown basic. Dividents shown net. Figures in brackets are for corresponding period. After exceptional charge. Vafter exceptional credit. †On incressed capital. After exceptional charge. Vafter exceptional charges. Vafter exceptional charge. The contract of th

recently

tional investments, mostly has further investments to

about £250m a year.

PowerGen

expects its foreign invèst- in Thailand, Indonesia and

its from new business PowerGen owns 49.9 per cent ing.

Yr to Mar 31 Yr to Mar 31 80.6

Yr to Apr 26 233.9 6 miles to Apr 30 99.5

Yr to Mar 31 765.6 6 mths to Mar 31 29.3

6 mths to Apr 30 53.5

6 mins to Mar 20 8.22
6 mins to Mar 29 8.22
7 to Mar 31 32.7
7 to Mar 31 20.4
7 to Mar 31 66.4

_ 6 moths to Mar 31 14.2 _____Yr to Mar 31 1,287

6 milis to Apr 27

__ Yr to Mar 31 50.6 (47.1) miths to Apr 27 297.2 (278) __ Yr to Mar 31 128.5 (130.3)

6 miths to Mar 31 74.9 886 31/2 wiks to Mar 31 4.9

European Commission.

the demands of the ITC.

Under broadcasting legis-

join the group if it won.

BSkyB advised to quit as

equity investor in BDB

vatised utilities next month. Thames was also criticised Sir Robert Clarke, Thames' by Waterwatch, the pressure

on leakage yesterday, one of entirely justifiable." The the industry's worst. Thames claimed that after a its performance had points to 30 per cent this year. It also announced a free leak detection and repair service yesterday.

However, hosepipe bans would be necessary unless there was significant rainfall over the next few weeks. Rainfall over the past year has been at only 70 per cent of average levels. A ban was last imposed six years ago.

and receive compensation

The other, more likely, is

that BSkyB negotiate a deal

merely to supply Sky Sports,

Sky Movies and Sky One, its

most popular channels. It

British Sky Broadcasting

announced yesterday that Mr Sam Chisholm, chief

Broadcasting, the satellite

television group controlled

News Corporation, is step-

ping down at the end of the

He will be replaced by Mr

chief operating officer of

JSkyB, News Corp's Japa-

PowerGen has six invest-

ments in combined heat and

power amounting to 308MW

heat. It has invested £110m

in these projects to date and

The company has invested

£344m in three upstream gas

make in them of £141m.

nese satellite TV venture.

cost £1.3bn.

EPS (p)

(17.4) (3) (22.3) (13.4)

(115.3) (130.9) (0.33) (8) (50.7) (5.5) (12) (5.7)

(-) (0.81)

(-) (-)

0.91L† 7.35L†

21†
5.9
28.5
10.8
3.4
4.12
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5
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4.5
10.19
122.5
41.9
4.61†
1.9
82.8

year on medical advice.

equity investor

would then no longer be an

Pre-tax profits jumped 63 per cent from £228.7m to £371.8m (\$606m) in the year to March 31. Last year's figures were hit by a £97.2m exceptional charge to reverse a disastrous overseas policy. The underlying increase was 19 per cent. Thames held out the possi-

bility of returning more money to investors yesterday. Mr David Luffrum, finance director, said: "Clearly there is some capacity in the balance sheet." With net debt at £389m, gear ing stood at 41 per cent at year-end. The group has said that interest cover could be cut to 4 times, down from 7.8 last year. However, he said the group would wait for details of the windfall tax.

Eurotherm hampered

By Christopher Price

The strong pound continued

UK, slipped 3 per cent to £99.5m for the six months to April 30. At constant currency rates, sales rose 6 per cent, while profits were similar to last year's £18.7m. Mr Claes Hultman, the

said the sterling situation was "uncomfortable, but something we are adapting

reduction of some of the company's prices, with a consequent effect on margins. However, this had been offset to some extent by the success of new products, he said. Among these were a new series of temperature controllers and graphic recorders, which Mr Hultman said had made "significant in-roads" into their markets.

desire to carve out a larger presence in south-east Asia biggest investment so far is projects. Like the Energy Group and Enron, the US and North America. At the Sea and PowerGen CHP station in the La Trobe val- energy company, PowerGen year-end, the company had ley in Victoria, Australia. wants to be in power tradearmarked up to £100m for acquisitions.

6.9

26

27 12.87

7.3

Total lest year

to hamper Eurotherm in the first half, with the industrial controls maker reporting a 21 per cent fall in pretax profits to £14.7m (\$24m). Sales, some 80 per cent of which are made outside the

executive of British Sky by Mr Rupert Murdoch's Mark Booth, the 40-year old a boardroom coup last year,

operations would come to of the power station that of energy and 801MW of

Earotherm reiterated its

by sterling pull out of the consortium

chief executive who beat off

This had prompted the

depress NatWest stock of NatWest's statement

By George Graham and John Gapper

National Westminster Bank's shares slipped again yesterday, as stockbrokers downgraded their forecasts for the bank's performance in the wake of Monday's profits warning.

NatWest warned that firsthalf profits at NatWest Markets, its investment banking division, were likely to be significantly lower than for the same period last year", so that group profits in the six-month period were not likely to exceed £770m.

That led analysts yesterday to reduce their forecasts for the full year to £1.72bn-£1.79hn, where some had previously expected profits of more than £2.1bp. Even Dresdner Kleinwort

Benson, a consistent seller of NatWest shares over the past 18 months and already responsible for the lowest forecast in the market, cut its estimates further, from £1.76bn to £1.72bn.

NatWest shares fell 9%p to 745%p yesterday, after losing per cent on Monday. The fall was more muted than for some other banks: Barclays dropped 174p to £11.95, and Lloyds TSB 20p to 606%p. Investors have been taking

that it would be carrying out an extensive review of Nat-West Markets' operations following the resignation of Mr Martin Owen, the division's chief executive.

But some brokers said NatWest appeared to be preparing for relatively minor adjustments rather than a wholesale reduction in its investment banking ambi-

"That is exactly what the stock market doesn't want to hear." one analyst warned. NatWest said the focus of the review was on improving risk controls after the discovery in March of options mispricing that cost the bank £77m.

NatWest Markets insisted the bank was not pulling out of the eurobond market, but acknowledged that it had said nothing about whether it would cut staff.

NatWest separately disclosed details of the creation of a new European investment banking group, which will be headed by Mr George Magan and Mr Alton Irby, heads of its corporate advisory business. It will include acquisition finance and the debt and equity origination operations within NatWest

LEX COMMENT

One oddity in the Treasury's leaked thinking on advance corporation tax Net receipts (Ebn) (ACT) seems to have gone largely unnoticed. This is the peculiar suggestion that, while keen to abolish the ACT credit, the Trearethink. If the credit were abolished, the tax would

sury apparently has no intention of abolishing the corresponding tax. If this is so, it should urgently lose its only purpose. It would become a pointless complication. But what bout the cost of abolition?

This should hold no terrors. Essentially, the Treasury could have two concerns. One is that wholesale scrapping of ACT would have a one-off timing effect, with billions of pounds in corporation tax revenues delayed by up to nine months. But this is little more than a cosmetic worry; the markets would rightly regard the resulting one-off blip in the public

finances as just that. Then there is the trickier problem of companies, mainly with large foreign earnings streams, which are overtaxed because they pay ACT they cannot claim back. But if the Treasury is hoping to hang on to this wholly indefensible source of extra revenue, it should think again. Currently, companies are often reluctant to use the obvious solution foreign income dividends (FIDs) - because pension

funds cannot claim tax credits on them. But if dividend tax credits were abolished, this hurdle would be removed. FIDs would presumably flourish and the government's convenient little side-carner, surplus ACT, would largely vanish.

Market cringes as chancellor ponders dividend tax credits

Ross Tieman considers the implications of a new fiscal regime

leary-eyed UK inves- occupational pensions, and leary-eyed UK investors are awakening slowly to the threat posed by the chancellor, Mr Gordon Brown, as he raises an axe over the tax credit pension funds receive on company dividends.

The FTSE 100 index fell 62.9 to 4,682.2 yesterday amid ssertions that if Mr Brown followed Treasury advice to abolish the credit in his Budget in a fortnight's time, shares in UK companies could be worth about 10 per cent less than under the current tax regime.

Mr Brown wants compa nies to pay out less to their shareholders and instead invest the money in

The Treasury, and some independent advisers, have told him that abolishing the pension fund tax credit would achieve that goal, and top up the Whitehall coffers by about £5bn (\$8.15bn) into the bargain.

But it may leave millions of workers with pensions facing double taxation and pose difficulties for companies committed to keeping employee pension funds in credit. It could also have a significant impact on share

The faculty and institute of actuaries and the Institute of Chartered Accountants yesterday urged the chancellor to retain the credit.

At present pension funds can claim a 20 per cent credit on taxed dividends from their investments. This ensures that pension contributions are untaxed until the pension is paid, when they are taxed as income. This principle is especially important to the 10.5m

Such schemes take two forms. Under defined benefit

the 7m who already receive

schemes, companies undertake to ensure employees receive a given monthlypension upon retirement, and to make up any shortfall in the fund. Although still covering the majority of occupational pension scheme members, these are gradually being superseded by defined contribution schemes, where the pay-out depends upon investment returns earned from specified contributions.

If the chancellor removes the tax credit from defined Hoare Govett, using option benefit schemes, companies research, development, and could be obliged by law to would have to be deducted from pre-tax profits.

"At the moment, most company pension funds have ker's strategy chief, says the got healthy surpluses," says Mr Peter Hobbs, head of the tax faculty at the ICA. But who can say how those conditions might change?

As for the effect upon defined benefit schemes, Emap, the publishing company, has already warned that benefits to pensioners will fall by 15 per cent if the scheme's dividend income is

But because abolition of the tax credit would reduce the net dividend paid by companies to previously taxfree investors, it could cut the value of the companies

On the simplest arithmetic, since half the stockmarket is owned by tax-exempt investors, and the dividend credit is 20 per cent, then abolishing the credit would reduce the value of quoted companies by 10 per cent.

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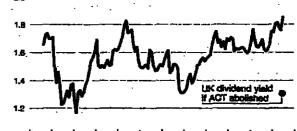
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Notice is hereby given that the Rote of Interest has been fixed at 8.34375%; and that the interest poyable on the relevant Interest Payment date September 15, 1997 against Caupan No. 19 in respect of US\$10,000 originally issued foos amount of the notes will be US\$1.17.

By: Claband, N.A., (Corporate Agency & Tradit, Agent Bank CITIBANCO)

UK dividend vield versus Europe

Ratio of UK dividend yield and Europe ex UK dividend viold



1985 87 88 89 90 91

prices, suggested the market tancy arises from uncerwas already discounting a tainty about any accompanycent in another two to three years' time. Mr Mark Brown, the bro-

market would therefore need to fall another 5-7 per cent to take full account of abolition, and "we have had 2 per cent of that" since Monday, when the chancellor's intent became clear.

Mr Ian Scott, strategist at the underperformance of the UK market this year, compared with European rivals. as further evidence that a sizeable cut in the dividend credit is already being fac-

tored into share prices.

Dividends paid by UK companies have historically been higher than those paid by most European rivals, as the chart shows. Abolition of the tax credit might trigger a rerating, but not a rout. Mr Scott believes. "If you were to take off the 20 per cent tax credit from the UK yield the ratio would fall to the

bottom of its historic range

A study by ABN AMRO by not out of it," he says.

modernising production make up any shortfall ariscut in the credit to 15 per ing steps the chancellor equipment. cut in the credit to 15 per ing steps the chancellor equipment. investment, such as offering companies tax relief on capital equipment - a step that would enhance corporate profitability. Critics of the present sys-

Part of the market's besi-

tem argue that UK institutions need to be weaned from their dependence upon dividends, and that the market will not fall because investors from overseas will Lehman Brothers, points to make up any shortfall of share buyers.

Even the case that hefty dividends undermine investment is open to challenge. Initial findings from unpublished research carried out for the National Association of Pension Funds at City Business School suggest companies that pay out a high proportion of their profits in dividends also have higher levels of spending on research and development than those that don't.

Only on one point are all no-one can be sure what all the effects of abolishing the tax credit would be. wh

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Dos finds new champions

personal computer operating system, in 1981. The text-based interface remained one of the best-selling pieces of software until Windows 95 was introduced – and even that is based around Dos.

As an operating system, sitting between software such as a word processor and the computer's internal commands, Dos leaves much to be desired, and has now mostly been superseded by Windows. But it was designed when emory was scarce, processors expensive and screens very basic: exactly the problems facing makers of so-called embedded systems, which are constrained by size and the need to be very cheap.

Devices such as set-top ooxes, providing home banking or internet access through the television, or point-of-sale terminals in shops, are priced for the r market and cannot afford the 32MB of memory and powerful multimedia processors i common in home PCs.

Microsoft has abandon MS-Dos but two rivals, International Busine Machines' PC-Dos and Caldera's OpenDos, formerly Novell Dos, are trying to revive the operating system with web browsers that allow internet terminals to run with as little as 4MB of memory. And at £25 for the memory, and Intel 80486 processors selling for very little, handheld PCs and internet-connected phones can have the power of a

three-year-old computer. Unfortunately for IBM and Caldera, a private US company, Microsoft has just made its cutdown version of Windows 95, Windows CE, available for embedded systems. But Caldera's Jon Williams points out: "There is no other operating system in the world that has such a high level of programming

icrosoft developed knowledge," he says. "Cost is one of the most important things in this market and products using OpenDos can cut out the expensive graphics support and memory which Windows needs."

Microsoft claims an advantage because of the dominance of Windows 95: software companies can relatively easily convert their existing software to run on embedded devices. But while Windows CE has been enthusiastically adopted for handheld computers, the same may not be true for embedded devices: Excel or Word are not needed on an internet set-top box.

John Galvez, OEM marketing manager at IBM, says Dos has a future: The memory requirements of Dos are so much less [than Windows CE] and system requirements are all-important to the embedded marketplace. We believe Dos will still be around in five years time." The first appearance of IBM's Dos in a UK handheld computer will be the all-weather PC from Radix, due to launch soon.

Caldera already claims a big sale, to "one of the top five consumer electronics anufacturers", and Williams is taking an aggressive marketing strategy, focusing on potential customers that would take more than 100,000 copies. Caldera is not conceding any ground to Microsoft: "Windows 95 owns the desktop today, but the embedded systems marketplace is soon going to be 10 times the size."

Ironically, Caldera is suffering from the unpopularity of Microsoft's Dos. "The name 'Dos' gives us some problems," admits Williams, "but the people we have taken the product to have been very happy

> James Mackintosh

Using the Net · David Bowen

Open door for online house sales

Real estate agents can adapt to the benefits of selling online or miss out on a big opportunity

new house and is now trying to sell her own. Visit www.llv.com/jsbo/ on the the world wide web to see it. Thompson belongs to a rapidly growing group of Americans who use the internet to buy and sell property (real estate). She bought her Florida home by looking at the web page of a "buying agent," Patti Amber, and contacted her by e-mail. Amber used her local contacts to draw up a shortlist, which she displayed on a private area of her website. Thompson chose the ones she wanted to see, flew to Florida, and within two days had struck a deal. "In the old days I would have spent a week driving around," she says.

She admits that she is unusual within a year or so internet real She created her own site with the help of a word processing program and a digital camera - if she sells the house, she will have saved herself 6 per cent commission.

When the scalps garnered by the internet are put on display, many people believe property agents will feature prominently. The ability of the internet to bring people together directly threatens all intermediaries, but few are as vul-



Information Technology, ippears on the first Wednesday of each identify

ally Thompson is a 67-year-old who is moving with her Unlike a newspaper advertisement, husband from Las Vegas to a website can carry vast amounts Florida. She has found a of information - not just about the house but about the area.

Add video (coming soon), interactive maps and mortgage calcula-tors, as well as transmission of documents by e-mail, and the internet is a powerful tool - or a threat.

Even in Europe, which is well behind the US, some realtors are already nervous. "If I had the option of walking around 15 agents or looking at them all from one site, I know which I would choose," says David Taylor, area manager of stertons Residential in London.

But intermediaries will not necessarily lose out. Although private sales will inevitably increase (the Abele Owners' Network. www.owners.com. lists 18,000 privately offered properties in the US), interfor her age, being "something of a mediaries which adapt can thrive. computer geek," but insists that "I've handled millions of dollars worth of property on the internet," estate trading really will take off". Patti Amber says. "I don't do conventional advertising any more."

Amber has just sold a house to a client from Japan. He used the internet to cut his choice from thousands of properties to a few dozen, spent three days driving round Florida with Amber, then put in an offer. The technology was necessary – but so was the human touch. Jim Swann, administrator of Ired, an internet property listing site, (www.ired.com), believes that keting company, carries 440,000 is why buying agencies are thriv-properties from 200 agents. is why buying agencies are thriving: "They really can take advantage of the internet," he says.

Agents are already using the technology to enhance their service. Amber will, for example, take a set of digital 3D photographs and display them on a private web area for one client.

Conventional real estate agents in the US are busy setting up websites to try to protect their position. Coldwell Banker, a franchise operation with 2,600 offices, has relaunched Coldwell Banker



Online (www.coldwellbanker.com) as the centrepiece of its marketing effort. It lists 140,000 properties and, the company says, "is a huge media for us, a very big success".

The volume of properties now available online makes the web a sonable starting point for any American looking to move. Ired lists 13,000 US property sites: the biggest belongs to the National Association of Realtors (www.realtor.com), with 800,000 homes fed in by its members. HomeScout (www.homescout.com), run by the Cobalt Group, a US internet mar-In Europe, the story is different

or several steps behind. The UK, the most advanced European market, has several sites similar to HomeScout. One of the larger ones is Internet Property Finder (www.propertyfinder.co.uk), but ask it to find a house in London anything over £50,000 - and it lists just 64. IPF has fewer than 1,200 properties listed - it seems unlikely that more than 20,000 are listed on all UK websites. That does not mean it will not

become a serious tool for the general buyer. "This year has been a learning curve," says Judith Vosper, product manager at Woolwich Property Services. "We have gone in fairly cautiously, but in the next year we will be more aggressive."

The Woolwich site (www.wpsproperty-seeker.co.uk) has been expanded to cover a selection of homes from all branches; eventually, Vosper hopes, Woolwich will have an intranet that automatically carries all properties from all its offices.

Other companies, including Chestertons and Knight Frank, are also moving beyond the pilot stage after being impressed by the initial response, particularly from abroad. Overseas sales have been the one area of real progress. Upmarket London estate agents have received much interest from Asia, especially Hong Kong, and there are reports of sales completed entirely online. Prestige Properties International (www.zynet.co.uk/ukhomes) has matched up at least one £1m property with a Scandinavian owner. One of the few British agencies

to have integrated its websites into

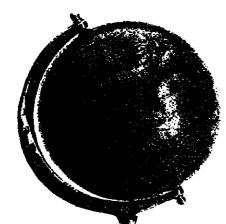
its normal marketing operation is Chancellors, based in Ascot, Berkshire, (www.chancellors.co.uk) - its customers come both from overseas and from the US-influenced technocracy of the area.

But there is widespread agreement that there must be fewer, bigger sites if critical mass is to be reached in the UK. "I think we will end up with a couple of big brand sites," says Ed Butcher of Red Fuse, which set up the Woolwich site. First, though, traditional jealousies must be suppressed.

It now seems that two sites will emerge. The more forwardthinking agents are concerned by this. "I'm not bothered particularly which way we go, but it is important we go down the same route rather than letting outsiders take over," Taylor says. Would Woolwich and Halifax, say, be prepared to link up on one site? "I'd be a little surprised if [Halifax] wanted to," says Vosper. "But I would listen to what it had to say."

David Bowen edits Net Profit, an internet business newsletter. (www.net-profit.co.uk).

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Safe delivery of electronic documents

A new program called Posta, which operates over the internet, finesses the failings of electronic mail attachments. The problem is a serious one: attachments, documents

which are attached to e-mail messages, often arrive garbled or not at all because of software incompatibilities.

Posta, a document shipping system which sits on the computer system of an employer or internet service provider, promise more reliable delivery. Rather than the docum itself, the recipient gets an e-mail notice with a link to a specially created web address for the file. The service, which tracks when a document is accessed, has many applications, such as recording the delivery of documents and auditing the readership of electronic

newspapers. Tumbleweed Software, US: web: www.posta.com; e-mail; info@tumbleweed.com; tel: 415 369 6790

Software finally finds its voice

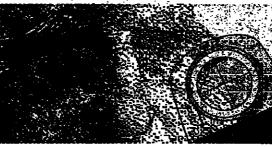
Some software can interpret the way people normally talk; some can understand not just the vocabulary of specialists such as doctors and lawyers, but everyday language; but no commercial voice recognition product has been able to do

Until now, claims Dragon Systems, one of the leading developers. It says NaturallySpeaking, launched this month at an introductory price of \$299 in the US, will transcribe continuous speech at about 100 words per minute, making only a few errors for every 100 words after the software has been

"trained". Dragon will not have the market to itself for long: in August, IBM is bringing out ViaVoice, a \$199 program which can recognise continuous and general speech.

Dragon Systems, US: web: www.dragonsys.com; email: info@dragonsys.com

Watching brief



Improved resolution for displays

A new product from Samsung Electronics of South Korea promises to accelerate the development of high-definition flat-panel

Its new liquid crystal creen, which it claims is the highest resolution commercially available. crowds 1m pixels or dots on to a 2.3in display. This density, achieved by applying semiconductor ent technology to thin film transistor LCDs, is equivalent to 430,000 pixels per square inch.

This resolution, close to that of ink on paper, would represent a breakthrough if applied as Samsung plans to full-size laptop screens by 1999. While semiconductor chip

performance doubles about every 18 months, the definition of commercial flat-panel displays takes . more than five years to improve to the same degree.

South Korea: web: samsungelectronics.com; tel: :

When laptop mobility meets speed

A neat solution for the laptop owner wanting the speed of the corporate network at work, but the mobility of dial-up access on the road: Xircom has onstrated a PC card which can handle a connection to an ethernet internal network at 10 megabits per second (mbs) or 100mbs as easily as it can a link over a telephone

Xircom: US: toeb: vouv.xircom.com; tel: 805 376

56kbps (thousand bits per

line at a more modest

second).

How to win at the web paperchase

Adobe, the image software developer, and Hewlett-Packard, one of the leading manufacturers of scanners, want to take the hassle out of posting paper documents on the web. It is a complicated process, requiring a scanner and



software which converts the image into a file in the portable document format,

Microsoft Index Server 1.1. The companies have made these work together so that, in principle, a converted into Adobe's portable document format, indexed so that it can be searched, and posted to a website – all with a single

x2 technol

REL

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Hewlett-Packard, US: web: www.hp.com/info/ scan-to-webi

Recordings made in a flash

Flash memory, an advanced memory chip which retains data even when the power is off, may have failed to live up to the excitement it generated in the early 1990s, but is now beginning to come into its own. A unit of Toshiba, the Japanese electronics company, is launching a voice recorde which can record up to an hour of sound in flash emory rather than tape. Flash memory, as well as being less bulky than a cassette, has no moving parts and is less of a drain on a recorder's battery. Toshiba Video Products DMR-60 model is one-third the weight of a microcassette recorder.

Program that mines gold from data

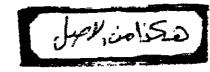
Data mining, the computer-assisted extraction of useful patterns from huge mounds of raw data, can be as useful to securities traders as the technique is to retailers and banks.

Performance Trading Technologies' recently updated Profile Analyzer, a software product for the Windows NT operating system, is a market database which allows users to judge the success

of their trading ideas. Traders can ask in plain English, for example, how the market has performed on all days on which employment figures were announced.

Performance Trading Technologies, US: web: www.ptti.com; tel: 212 972 1702

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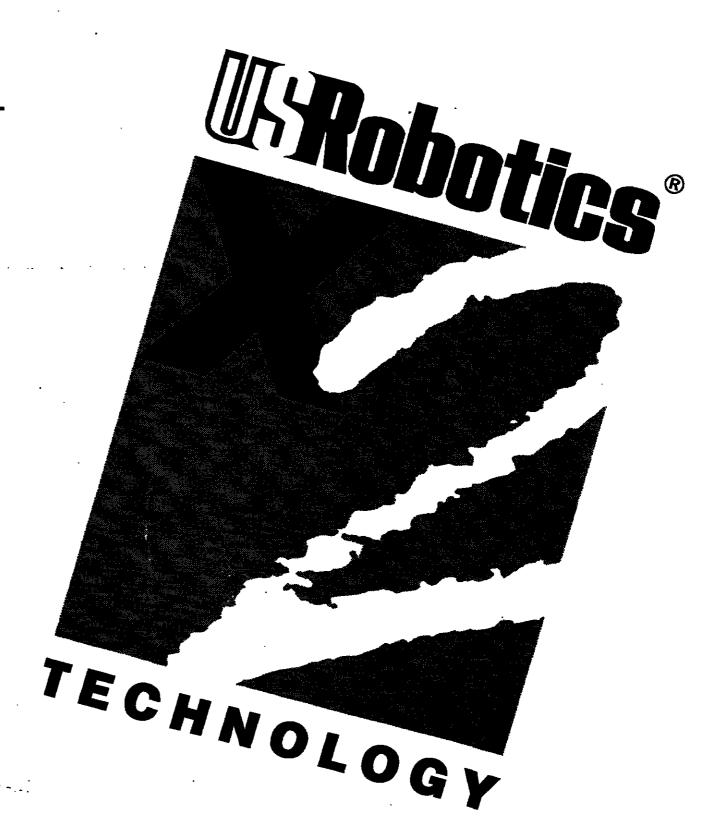
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Hopes for Emu help lift Italian BTPs

GOVERNMENT BONDS By Michael Lindemann in London and John

Labate in New York

markets headed lower yesterday, while US Treasuries were hit by increased pro-

duction data. Italy was the only exception, with a rise in the price of BTPs reflecting investors' relief that the European Union summit in Amsterdam had reached agreement on plans for a single cur-

Mr Heinz Gunasekera, bund analyst at UBS, said delays to Emu had been factored into hard-core European bond prices before the or switching to the dollar figures would also give a bet-

rency.

weekend, helping them bloc. Gilts, he said, remained ter indication of whether being discounted given the Amsterdam agreement.

"An agreement, especially for a soft Euro, is bad news Most European bond for bunds, for instance," he GERMAN BUNDS reacted

bund future lost 0.39 to settle at 101.32 and underperformed against US Treasuries. The spread of Treasuries over bunds tightened 3 basis points to 80 points.

Mr Gunasekera said German domestic investors had been buying bunds but international investors remained wary because of Emu confusion. They were eyeing Dan- interest rate rises. ish bonds as an alternative

the UK Budget on July 2.

UK GILTS were also subject to profit-taking. Although they started the week well, following reports that equities could be hit by accordingly. The September the July budget, sentiment seemed more mixed yester-

> Mr Huw Roberts, European bond strategist at Nat-West Markets, said gilts could also feel downward pressure if Mr Gordon Brown, the UK chancellor, did not do enough to slow down consumer spending and ease fears of further

Today's May retail sales

upwards, but were now a worry in the short-term windfalls from building socibecause of concerns about ety listings had contributed to consumer spending, Mr Roberts said. The September long gilt future settled at

114点, down 共. FRENCH OATS also slipped, with the September notional future settling 0.26 lower at 128.94.

SPANISH BONO September futures fell 0.16 to settle at 116.40 while in the cash market the yield spread over bunds tightened three basis points to 65 points. ITALIAN BTPs reflected

relief that the Amsterdam summit had been able to keep Emu, and Italy's hopes of joining it, on track. The September BTP future rose 0.40 to settle at 132.58.

New international bond issues

An unexpected rise in industrial production figures sent US TREASURY prices downwards in the morning. By mid-session the benchmark 30-year bond price had recovered some lost ground, falling % and pushing the yield up to 6.710 per cent. The two-year bond price fell

i, yielding 6.024 per cent. April's industrial production figure was revised upward to a 0.3 per cent increase from an earlierreported unchanged level. In addition, May industrial production rose 0.4 per cent.

"This is a modestly stronger picture than what the consensus expected," said Mr John Lipsky, chief economist at Chase Manhattan.

capacity utilisation movements, which for May moved upward to 83.7 per cent. their highest reading since late 1995. Further rises could lead the Federal Reserve to increase interest rates at its meeting in early July.

in other economic news, housing starts for May dropped 4.8 per cent, surprising forecasters, who had predicted a 0.7 per cent decline for the month.

The consumer price index for May rose a mere 0.1 per cent, in line with economists' expectations.

"A lot of people were pre-pared for this," said Mr John Spinello, government securities strategist at Merrill Treasury bond investors Lynch.

CAPITAL MARKETS NEWS DIGEST

Portuguese bank in eurobond debut

Banco Espirito Santo, Portugal's third-largest bank, yesterday made its eurobond debut with a \$200m floating rate offering and a simultaneous domestic offering denominated in escudos. An official at J.P. Morgan, joint lead manager of the deal with UBS, said that the bond was Portugal's second subordinated eurobond offering, after Banco Fonsecas Y Burnay broke into the market last

The \$200m deal was priced to yield 68 basis points over the three-month London interbank offered rate, stepping up by as much as 150 basis points if it is not called after five years. Mr Manuel Pinho, a BES executive board member, said the bank had traditionally relied on the domestic capital market for its funding, because of the favourable pricing environment in Portugal. However, the likely onset of European monetary union had persuaded BES to tap a wider investment base.

Officials said that about one third of the bonds went to UK institutional investors and 5 per cent to Swiss buyers. with the remainder distributed among continental funds. BES said it had increased the issue from the planned \$150m to take advantage of favourable market conditions.

The perpetual debt issues count as Upper Tier II capital and the subordinated debt as Lower Tier II. They increase the bank's solvency ratio - equity capital as a percentage of total assets - from 8.9 per cent to 12.3 per cent. Unlike other Portuguese banking groups, BES has focused on organic growth.

Peter Wise, Lisbon and Edward Luce, London

Manila mandate for Salomon

Salomon Brothers has won back its controversial mandate as lead manager for the Philippines' delayed Yankee issue, the country's central bank said yesterday. The bond, which was postponed in early April owing to the bearish Treasury market at the time, is expected to be split between a \$400m 30-year Yankee and a \$100m debut

century bond. Salomon originally won a mandate for an April issue of between \$750m and \$1bn. Yesterday, Mr Gabriel Singson. the central bank's governor, said that in bidding for the relaunch, Salomon had offered the lowest spread over US Treasuries. He said the decline in yield on the bellwether US 30-year Treasury, from 7.18 per cent in April to 6.69 per cent on Monday, vindicated the postponment decision.

Five other banks - Citibank, Morgan Stanley, Merrill Lynch, J.P. Morgan and ING Barings - had also bid to underwrite the issue.

News of the Salomon success surprised some analysts. as a series of recent reports had predicted that the bank would be displaced as lead manager after the controversial postponement. Salomon was reported to have antagonised other syndicate members by attempting to go back on an agreement to split allotments equally. At the time of the original launch, the Philippines would have been only the second emerging market to issue a

sovereign century bond.

Justin Marazzi, Manila

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DEL GATE !

BNG \$1bn deal aimed at wide investor base

By Edward Luce

Strong liquidity and investor bullishness produced another bumper day for the dollar yesterday, with more than \$4bn in new issuance.

This took the week's total to more than \$7bn - roughly half the record volume of new dollar bonds issued in the first week of June. "There is a very strong

undertone of bullishness on US interest rates at the moment," said one syndicate official, "If you combine this with the high level of benchmark issue from BNG. redemptions in the euromarket and strong liquidity from the US, Europe and Asia, aimed at the retail investor." you can see why there is so much supply.

BNG, the Dutch municipal finance group, led the way with a \$1bn issue targeted at a much wider investor base DEVELOPMENT BANK also than usual. The five-year

WORLD BOND PRICES

BENCHMARK GOVERNMENT BOND\$

bond, which was priced to ket conditions with its first Treasuries, was designed to essen BNG's reliance on its retail investor base, said

An official at ABN-Amro, which led the deal with Goldman Sachs and Nomura, reported strong cials reported good demand overnight buying from Asian central banks and institutions. UK institutional investors also bought strongly into the deal. The paper tightened to 11.5 basis points

"This is very much a which has traditionally gone for deals of about \$200m said a banker. "BNG is consciously making a strategic move to court a wider investor base in advance of Emu." The INTER-AMERICAN

Ylekt

7.41 5.80 5.87

Italy

yield 12 basis points over eurodollar issue for almost 12 months. The five-year \$500m bond, which was traditional Swiss/Benelux arranged by J.P. Morgan and Lehman Brothers, was priced at 7 basis points over Treasuries - just 1 basis point below its previous offering spread in 1996. Offi-

pean funds,

"Investors are still emerging from the 'wait-and-see' attitude they adopted in late over Treasuries after launch. March," said one official, referring to the 25 basis point rise in US interest. An official at J.P. Morgan. rates. "So they built up strong cash positions which they are now running down." The bond was trading at its re-offer price in the secondary markets last

from Asian central banks

and trust banks and Euro-

KEYBANK NATIONAL ASSOCIATION, the eighth launch. cashed in on buoyant mar-largest bank in the US,

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Open Sett price Changa

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issued its debut eurobond. also in the five-year sector. the sole arranger, said the \$500m floating-rate note was the first issue in a \$5bn medium-term-note pro-gramme. The bond, which was priced to yield 11 basis points over Libor, tightened

into 10 basis points after Officials said that the

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Jul

launch of the MTN promoves by Keybank to expand its operations overseas. "The main aim of the issue was to introduce Keybank's name to international investors and open new credit lines," said an official.

Elsewhere, POLAND said it was planning a debut Yankee bond issue in the next at 350-375 basis points over few weeks to follow on from

its debut eurodollar and gramme coincided with debut euro-D-Mark issues in the last two years. The offering is expected to carry a seven-year maturity and will be limited to \$500m under Polish regulations. RUSSIA is expected to

launch its first 10-year bond today totalling at least \$1bn. Traders say it will be priced Treasuries.

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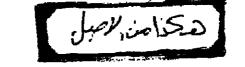
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8.98 8.74 8.29 8.85 7.64 11.59 8.73 10.05 8.64 6.93 7.04 7.07 7.08 7.00 6.97 7.03 7.03 7.08



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CURRENCIES AND MONEY

Amsterdam deal boosts the dollar

MARKETS REPORT By Simon Kuper

The dollar and sterling rose against the D-Mark yester- out last night. day on the market's growing

and jobs resolutions. But the dollar's gains were modest, as the markets had in the day. largely priced in a deal, and because US consumer price duction data scarcely

affected the market. The dollar rose 0.4 pfenclose in London at DM1.734. It faces strong resistance at around DM1.74-DM1.7420. The pound gained 0.7 pfennigs to DM2.840, after touching its highest level against the German currency since

POUND SPOT FORWARD AGAIN

moved, with traders waiting at NKr4.188. for Japanese trade data due

The lira rose on the growcertainty that European ing belief that Italy would monetary union would start join Emu in the first round on time. In Amsterdam on the country has the backing Monday, European Union of France's new socialist **T**he krone is one of countries reached agreement government. The currency over a budget stability pact hit a four-month peak earlier

The Norwegian krone recovered sharply after Nordata for May emerged weak way's central bank said it yesterday. Stronger than would intervene in the marexpected May industrial pro- ket to support the currency when necessary. In January Norges Bank had abandoned its intervention policy. The nigs against the D-Mark to krone, which early yesterday

Jen 17	<u> 19845</u>	Prev. clas
£spot	1.6385	1 6375
1 mills	1.6374	1.6364
3 auth	1.5349	1.6302
1 97	1.5243	1.6242

1.4556 1.4482

12.6850 12.6462 58.6970 58.5300 5.5970 5.5574

43,2950 43,1377

1.7598 2.2741

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1.4521 +0.0007 511 - 530

+0.0004 373 - 381 +0.0003 585 - 594 +0.007 691 - 710 -0.0167 075 - 294 -0.0003 376 - 388

August 1992. Volumes were hit its lowest level since low in all major markets. October at NKr4.2400 to the The dollar/yen rate barely D-Mark, rebounded to close

Traders said the Bank of Israel spent about \$500m intervening in the market to prevent the shekel from ris-

Europe's more volatile curgained 12.7 to close at 1978.9 rencles, and is strongly against the D-Mark, having affected by the oil price. Its recent slide has been seen as a delayed reaction to the fall in oil prices, and as a response to inflation concerns.

> drawn to the krone earlier, thinking that the growing economy would prompt a rate rise, but have been disappointed: Norway cut rates instead, to stop the currency from rising out of control. Since then many investors have sold, particularly after consumer price data emerged strong this month. Mr Claudio Demolli, for-

> > 3.2 56,7141 2.9 10,5181

3.0 9.2853 3.3 2.7459

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102.4 105.0 82.3 105.0 108.5 85.2 98.7 76.4 102.0 96.7 93.3 77.3 83.8 105.0

Against the D-Mark (fire per DM)

Market players had been eign exchange analyst at said the markets took yesterday's announcement to mean that Norges Bank would step in if the krone weakened to below NKr4.20 Will the new policy succeed in buoying the currency? M Paul Meggyesi, senior cur rency economist at Deutsche Morgan Grenfell in London argues that the krone has a

DOLLAR SPOT FORWARD AGAINST THE D

. Jan

structural problem: Nor- ■ Even before yesterday's way's petroleum fund. This tame US CPI figures, few in fund, set up to allow future the market had believed that generations to benefit from the Federal Reserve would Norway's oil wealth, invests raise interest rates after its most of the country's trade open market committee surplus in foreign assets. meeting on July 1 and 2 Mr This year alone the Norwegian government must sell NKr50bn of krone for the fund. That naturally is significant in itself. "The depresses the krone - in Fed is certainly not going to fact, one of the reasons why want to surprise the marthe fund exists is to prevent Norway's oil wealth from ning or even seriously condriving up the currency to sidering a rate rise, it would levels where it would wreck local industry.

Merrill Lynch in London, for Norges Bank, whose mandate is to maintain a

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ine 4	914.90 - 4912.80	3000.00 - 3000 (
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274.480 1,5156 1700.72 35.8500 1.9545 7,3426 175.150 146.600 7,7922 1,4515 1,6390 1,1300

FUTURES

Ron Leven, currency strategist at J.P. Morgan in New York, says this lack of belief signal that beforehand."

Yesterday's two sets of The present turmoil data confirmed an American should make life interesting trend of recent months; output data have surprised with their strength, and price data with their tameness. Mr Meggyesi said: "The Fed, even if it wants to tighten, is still lacking a clear inflationary pretext. The Fed finds it difficult to tighten simply because growth is above are pricing in unchanged

-0.2 1.3324 0.0 -0.1 7.753 -0.2 -4.2 33.975 5.1 -5.9 108.96 5.8 1 -1.0 2.5348 -0.9 -0.9 1.4625 -0.9

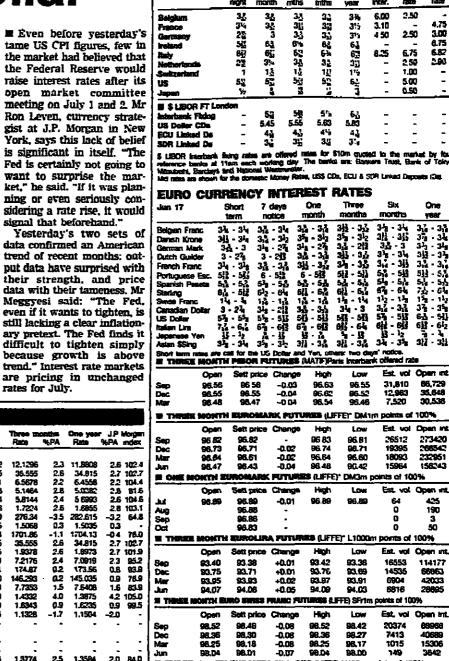
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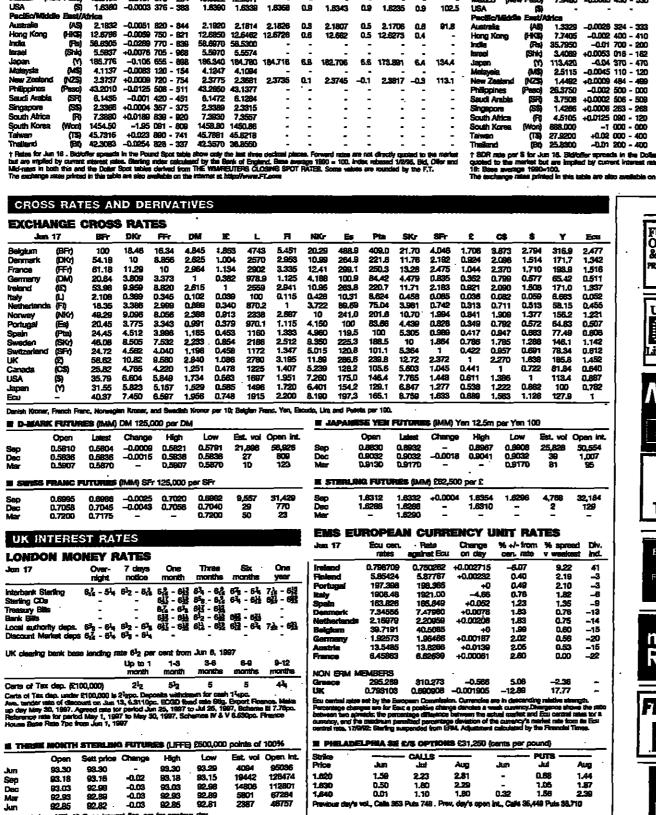
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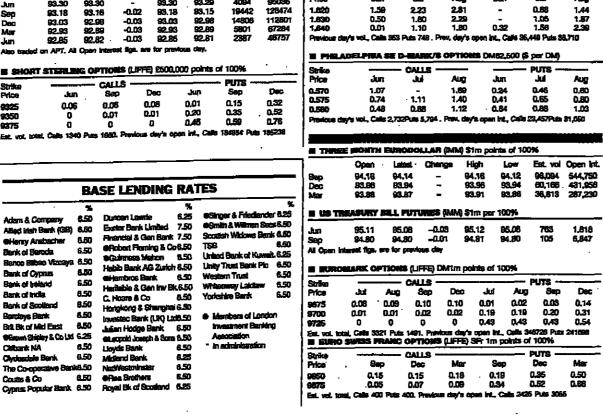
FUTURES & OPTIONS



WORLD INTEREST RATES

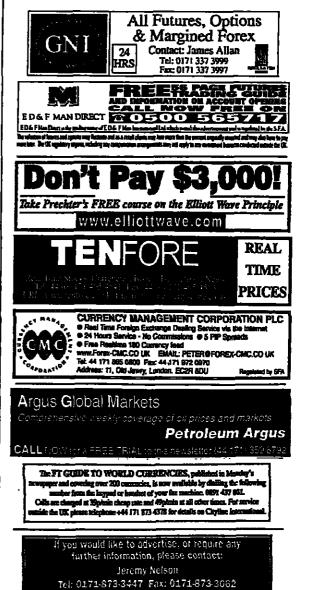
MONEY RATES







'n



High Low

LOW

95.86 95.82

High

95.90 95.85 95.82 95.76

+0.02 +0.03

-0.04 -0.04 -0.03 -0.03

THREE MONTH ECU PUTURES (LIFFE) Eculin points of 100%

Sett price Change

95.86 95.83

95.79 95.73

Open

Est, vol Open int

100



And don't forget to add your cheque to fund more Macmillan Nurses to help 1,000,000 people living with cancer. (1 in 3 of us will get cancer)

Cheque amount £..... made out to 'CRMF (F3)' Please send it to:



Cancer Relief Macmillan Fund exists to support people with cancer and their families Regd. Charity No. 261017

'El Niño' forecast to hit Australian exports

By Nikki Tait in Sydney

The latest developing "El Niño" weather pattern is expected to cut the value of Australia's agricultural exports by 5 per cent in 1997-98 to just over A\$20bn (US\$15bn), according to forecasts issued vesterday.

Wheat farmers could see an even more pronounced effect from the drier climatic conditions. warned the Australian Bureau of Agriculture Resource Economics,

The El Nino phenomenon is a periodic warming of the tropical Pacific Ocean by a few degrees that reverberates around the world in the form of local droughts and floods. It tends to result in drought in eastern Australia, and recent climatic data suggest this may be starting now.

Abare said Australia's wheat production could fall more than 31 demand-supply situation, with per cent to 16.2m tonnes in 1997-98, against an estimated bumper cent in 1997-98. per crop of 23.6m tonnes in

shortfall, it suggested, would be due primarily to below-average yields in the eastern states, as the El Niño pattern persisted.

The sharp decline in Australian wheat production, it added, would probably take place against the background of a tighter world world production forecast to fall 2

Besides Australia, the European Union, Argentina and Canada ria and South Australia can be

be "little changed" in 1997-98. The put - although Russia and parts said. "In that event, there could set by a 9 per cent rise in mineral of eastern Europe could enjoy be a....correspondingly adverse higher production. Abare predicted a flat US crop at about 62m tonnes, and a small increase in the world wheat indicator price to around US\$185 a tonne.

> The Abare report also warned that climatic conditions could cattle-farmers. "At this stage, affect the country's livestock although the El Niño event is industry. "If dry conditions persist; poor pasture conditions in cient supplies of feed-grains are parts of New South Wales, Victo-expected to be available," it said.

effect on livestock prices."

However, for the moment, it is forecasting a modest rise in beef prices, on the back of lower US production, and increased production and exports by Australian likely to reduce crop yields, suffi-

The bureau expects plantings to would probably see reduced out- expected to deteriorate further," it exports is also expected to be offresource exports, to A\$38.2bn in 1997-98. This should reflect a 6.1 per cent increase in Australian mine production and rising aluminium, zinc and nickel prices. Copper prices are predicted to fall in 1998, after rising in 1997, and gold prices to remain depressed by concern over possible Euro-

pean central bank sales. Overall, commodity exports are forecast to increase 4 per cent to a

than Japanese equities.

minium Association.

plate and extrusions.

prices resume climb MARKETS REPORT

By Robert Corzine and Gary Mead

World coffee prices took off again yesterday - with London and New York futures jumping by 8 per cent and 3.8 per cent, respectively. On the London Interna-

tional Financial Futures

Exchange, the September contract for robusta closed up \$132 a tonne at \$1,910. The market was slightly dazzled by wrangling between the US Department of Agriculture and Brazilian officials over the size of the country's crop. The USDA

On the Coffee, Sugar and Cocoa Exchange the September contract rose more than 7 cents a pound to 189 cents

The steady rise in crude oil prices from 13-month lows last week continued. Brent Blend for August delivery failed to hold strong early gains, but was still up 21 cents from Monday's settlement price at \$18.07 a barrel in late trading on London's Interna-

Although the oil markets believes there is potential to grow to more than 400 a year, Mr Legrand said at the association's annual press

On Europe, he said primary aluminium consumption in the region was on course to return to record levels after a substantial fall last year. Consumption fell from 5.23m tonnes in 1995 to

4.97m tonnes. European aluminium production, meanwhile, rose last year by 1.9 per cent to 3.19m tonnes. This meant that imports of aluminium to Europe dropped below 2m tonnes again, from 2.1m to

cent in 10 years, so gold had forecast 28m 60kg bags; but performed even more badly Brazil dismissed this. estimating 24m bags. A new market for alumintum is opening up with the development of big, highspeed ferries, according to Mr Bernard Legrand, chairin early trading. man of the European Alu-The metal's light weight

strength and corrosion resistance make it ideal for these vessels, capable of reaching speeds of 40 knots. Each one absorbs more than 800 tonnes of aluminium sheet. Currently only 10 of these tional Petroleum Exchange. big ferries are being built each year but the industry

have seen some sharp changes in direction in recent months, the latest rally appears more cautious. Copper was the centre of

attention on the London Metal Exchange, with news from China that it intends to deliver up to 10.000 tonnes to LME warehouses in Singapore in July.

"This is a red herring. 10,000 tonnes is neither here nor there," said Mr Nick Moore, analyst with Flemings Global Mining Group. "We definitely know that China will have to be a purchaser this year." Threemonth copper ended down \$6 a tonne at \$2,582.

Vietnam may miss rice target New mines could boost lent buyer confidence

By Jeremy Grant in Can Tho

Vietnam will probably miss its rice export target this year due to weakening global demand and export disputes that have dented buyer confidence, commodity analysts and traders said

A United States Department of Agriculture report said Vietnam was likely to export 3m tonnes this year instead of the 3.5m tonnes planned. This would be about the same as last year's

A bumper winter-spring harvest in the Mekong Delta and excellent yields in the northern Red River Delta prompted the USDA to revise its estimates for the 1996-97 crop from 25.8m tonnes to 27.4m tonnes.

However, it said Vietnam would sell less rice abroad than it had planned because of weak export demand. "I don't think there's enough to sustain that [target]," an USDA official said. Capricious behaviour by stateowned exporters meant traditional buyers of Vietnamese rice were turning to more expensive Thai rice instead.

accuse such companies which have a monopoly over the rice trade - of reneging on contracts and attempting alone partly due to the to renegotiate them after signing. Inspectors from

COMMODITIES PRICES

LONDON METAL EXCHANGE ALUMINIUM, 99.7 PURITY (5 per tonne)

1554-4.5

108,157

1450-51

601-2

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7010-20

52,951 21,492

15,160

1347.5-8.5 1345 1345-6

2677-80

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EL ALUMINIUM ALLOY (\$ per torrie

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1579.5-80.0

1475/1455

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7180-90 7270-75

5550-60 5570/552: 5530-40

BASE METALS

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AM Official

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AM Official

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Previous High/low AM Official

Gold Coins Krugerrand Maple Leaf

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Open int. Total dady tumover

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■ NECKEL (\$ per tonne)

■ LEAD (\$ per torm

ers of Vietnamese rice, were also recently denied visas for routine pre-shipment checks. "The truth of the matter is foreign buyers are just burned out at not getting the contracts they specified," said one commodities ana-Analysts and traders lyst: He estimated that Vietnam had lost out on the chance to export 600,000 tonnes this year to Iran

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; \$/troy oz.)

353.8 -1.0

strength in the world market Iran, one of the biggest buy- introduced a "minimum government price" for rice exports to make up for recent lost export value. The move sparked an average 10 per cent jump in prices across the board, according middle men and state exportto one Ho Chi Minh Citybased trader.

Rice with 5 per cent of broken grains was quoted yesterday at about \$260 per tonne FOB (free on board) Saigon port, with 25 per cent broken virtually unchanged Two weeks ago Hanoi at \$230 per tonne.

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

Another cause for concern is a complex state-controlled pricing system that sees farmers receive less than market prices for their unmilled rice in favour of

Prof Vo Tuan Xuan, a rice expert at Can Tho University, said this could also hurt this year's exports. "The coming crop will have less rice than last year because there are no incentives for

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

gold output by 25% the price had fallen by 57 per sche Morgan Grenfell, Hong

Kong. He said there was a

"The increasing affluence

of the region means rapid

growth of gold used for

adornment. Gold jewellery

has become a fashion state-

ment not an investment or

This should compensate

for the fact that a younger

generation of Asians was

more inclined to have a

stock of US dollar bills on

Mr Martin Senn, managing

director, precious metals,

Credit Suisse First Boston,

pointed to a change in the

attitude of Swiss investors

who used to keep 15 to 20 per

cent of their wealth in gold.

Today they held virtually no

However, a different set of

Swiss investors were consid-

ering going into the gold

market but were being

deterred by uncertainties

caused by potential sales by

general manager in deriva-

tive products department of

the commodity trading and

Mr Minoru "Mike" Ikeda,

central banks.

gold in their portfolios.

rather than some gold.

change in the reasons for

Asians buying gold.

insurance.

By Kenneth Gooding

New gold mines capable of producing between them 18.8m troy ounces of gold a year will start up in the next few years - adding 25 per cent to 1996 gold output of 75m ounces, delegates at the Financial Times gold conference were told yesterday.

There was another 15.6m oz of annual output likely to come on stream a few years further out, taking the total to 34.4m oz or 46 per cent of 1996 output, according to a hand for an emergency paper from Mr Paul Burton, the editor of Mining Journal

Mr Burton's analysis concentrated only on future gold production trends, not those gold mines likely to go out of business

However, neither were output forecasts included for China, "yet this vast country will certainly impact on future supply patterns", he Mining Journal's data also

does not include any expansion to existing mines except for South Africa, where a new shaft at a deep mine effectively is a new mine. Mr Burton also left open the question of whether all the new gold could be absorbed by the market.

1097 1,780 33,080 1108 1,410 41,624

1620 1553 3,615 1,795 1655 1598 6,031 37,187 1634 1640 1,060 19,984 1710 1669 679 22,890 - 8,757

1900 +148 1900 1780 3,903 12,184 1910 +132 1920 1805 8,513 22,953 1900 +117 1910 1805 1,455 8,744 1880 +112 1880 1790 232 3,062 1870 +112 1820 1810 25 547 1870 +112 1855 1794 23 3,0

200.70 +12.20 211.30 183.00 2572 4,082 190.70 -48.10 194.00 181.80 4,591 9,518 168.70 +8.50 186.20 161.00 714 4,672 157.70 +7.20 156.50 182.00 480 2,486 153.70 +7.20 152.50 148.50 50 808 148.70 +6.20 - 27 153 8,380 21,614

323.2 -0.4 323.6 321.5 761 14,782 317.3 - 317.5 315.7 401 8,000 315.0 +0.3 315.1 314.0 93 3,183 314.8 +0.5 315.8 313.3 223 3,007 314.2 +0.3 - - 882 312.1 -0.2 311.8 311.0 39 818

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11,517 95,586

Prev. day 1238.10

risk management division at Mitsui and Co, said the Japanese still looked at gold as One answer came from Mr an investment rather than Jonathan Spall, head of pre- jewellery but were disillu-

MEAT AND LIVESTOCK

JOTTER PAD

III LIVE CATTLE CME (40,000lbs; cents/fbs) 65.525+0.225 65.800 65.325 2,920 5,959 64.700-0.075 65.225 64.52510.281 43,372 73.100 +0.150 73.300 72.950 103

81.525 +2.325 81.700 79.550 2,050 3,748

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LONDON TRADED OPTIONS ■ COPPE

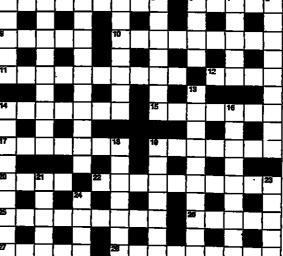
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CROSSWORD



lect skin problem (5) 9 Hear why you see double with a plant from America

10 Poetry far off providing an opening (9)

11 In vain one put daffodils on both sides of street (10)

12 Is in possession of hard

drug in cut form (4) 14 Large container, dry, not one drink can be taken

crossing (7) Made out in the one place of learning that's literary

extraordinary greed sur-rounds me (7) family - has daughter (4) 22 Starts batting with different one as game can be fin-

ished off now (4,6) 25 Trampled like Labour 1980-83? (9) Lots written about a lady who may not be married

27 Ram that's held inside is

queen in act of betrayal (9) 1 Possibly can, in front of old American (5) 2 Agreement in Bonn cover-

No.9,404 Set by HIGHLANDER ACROSS 1 Bad mood dogs senior stew 5 Starts firing and accelerard (5-4) 6 Where honey producers colwith a limp starting (4)
7 Six-nil to the French girl appearing in Twelfth Night 8 Photographer's suggestion. for example on food (3,6)
13 Not balanced like my backing up of verse (10)
14 Follow trail of diamonds perhaps wearing this? (9)
16 it's out of this world changes are so associated 15 Spend quite a long time with speed (9) 18 Take advantage of previous pilot's wild stunt (7)

19 Fed they say, after lots of noise, in small eating area 19 Reverse amalgamation: 21 Jog with nothing on, holding bottom of leg (5)
23 An upwardly mobile pigpen is disgusting (5) 24 Initially image-maker quietly gives support (4) Solution 9,403

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494.95

143,142 LME Closing £/\$ rate: 1.6390 Soot: 1,6366 3 pate: 1,6353 6 pate: 1,6316 9 pate: 1,6380 # HIGH GRADE COPPER (COMEX 121.10 -0.90 121.10 118.80 245 1,286 121.20 -1.00 122.10 118.80 2,507 30,135 119 40 -0.30 119.40 117.80 4.230 58,693 PRECIOUS METALS II LONDON BULLION MARKET Gold(Troy 0:2) \$ price Close 341.90-342.40 341.70-342.00 341.40 208.616 493.835 342.15 208.906 495.091 342.40-342.70 Day's High ee 341,70-342,20 I UNLEADED GASOLINE Loco Ldin Mean Gold Lending Rates (Vs US\$) 4.43 6 months Silver Fix Spot 3 months 472.00 477.50 6 months

+7.5 480.5 468.0 5.837 44,049 +7.5 485.0 473.0 3.241 18,335 +7.6 490.5 480.0 289 8,451 +7.6 - 17 **ENERGY** E CRUDE OIL NYMEX (1,000 barrels. S/barrel) 19.20 +0.19 19.47 19.01 32,109 46,576 19.39 +0.22 19.62 19.21 23,635 85,722 19.30 6,295 36,797 19.57 3,344 25,087 19.65 1,888 17,081 +0.16 19.79 19.51 3,871 38,300 THE CRUDE OIL IPE (\$/6) 1,873 11,484 113 8,359 546 11,526 180 6,978 R/a 52.55 +0.61 53.10 51.85 11.85 31.891 52.95 +0.99 53.45 52.40 52.21 28,148 53.70 +0.44 54.10 53.65 13.15 14.557 54.90 +0.74 55.05 54.75 846 12.933 55.65 +0.99 55.80 56.45 923 16.270 56.50 +0.59 55.80 56.45 923 16.270 22,174 144,398 ■ GAS OIL IPE (S/tonnel 165.50 +1.75 168.00 164.50 167.50 +1.50 168.00 166.50 1,863 11,061 803 5,821 819 6,533 447 3,319 719 9,108 170.00 +1.25 170.25 168.75 171.75 +1.25 172.00 170.73 173.25 +1.25 173.50 172.50 2.150 +0.003 2.175 2.135 13,835 29,193 2.165 +0.008 2.180 2.145 4,753 22,809 2.155 - 2.175 2.145 2,391 18,372 2.160 - 2.175 2.160 1,514 20,135 2.300 +0.005 2.306 2.295 17 9,157 2.440 +0.005 2.450 2.435 666 12,880

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57.25 +0.55 57.40 56.00 877 6.538 57.25 +0.50 56.20 55.76 214 4.151 55.30 +0.50 55.45 55.30 64 2.124 55.15 +0.70 55.15 54.90 282 4.821

341.8 -1.1 343.1 341.3 11 340. 343.7 -1.1 344.8 343.3 8,215 78,028 345.2 -1.1 347.1 346.1 47 8,007 348.8 -1.1 349.8 348.5 317 26,350 Juli Sep Roy Jac -1.95 81.25 79,75 85.50 -1.00 - - -88.50 -0.65 89.00 88.45 372 3.575 - 367 4.353 94.50 -0.65 95.00 95.00 PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) WHEAT CBT (5,000bu min; cents/60tb bushel) 411.1 -12.8 422.0 408.8 3,388 10,445 399.1 -6.8 405.5 398.5 1,563 6,964 390.1 -6.8 395.0 392.0 335 1,569 390.1 -6.8 392.0 392.0 62 125 343.75 +1.00 346.00 342.00 12,213 34,729 352.25 +1.50 354.50 348.76 5.342 24,626 364.00 +0.50 368.00 362.50 5.615 20,439 368.00 -1.00 369.00 367.00 431 2,633 360.50 - 362.00 359.00 17 127 431 2,633 17 127 26 901 26 901 23,644 83,769 ■ PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) 197.90 -12.90 209.00 195.00 20 127 177.90 -2.90 179.00 174.00 545 5,955 173.90 +0.10 173.00 185.00 89 820 270.25 +1.75 270.50 268.00 29.155 88.701 252.50 248.75 255.50 - 253.00 250.25 6,736 41,077 +0.50 249.00 246.75 26,953 120,038 255.50 - 255.75 253.75 2,546 14,657 260.00 - 260.25 258.75 220 2,033 263.25 +0.25 263.25 261.75 312 3,573 66,153 273,846 BARLEY LIFFE (100 tormes; 2 per tonne) 81.25 -0.25 81.30 81.30 COFFEE 'C' CSCE (37,500lbs; cents/lbs) SOYABEANS CET (5,000bu aris; canta-60th husbel) 853.00 +14.5 854.00 835.50 25,195 54,499
784.00 +10.25 788.00 771.00 10,222 28,698
706.50 +8 708.00 699.00 1,759 10,026
673.75 +7.75 676.00 684.50 11,464 54,523
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European free market, from Metal Bulletin

Switchest live marks, from Nexas Sweath, S per Ib in warehouse, unless otherwise stated (last week's in brackets, where changed, Anthrony; 99.65%, \$ per tonne, 2,080-2,160 (2,100-2,200). Bisintoite min. 99.99%, tonne lots 3,80-3,95 (3,75-3,95). 99.9%, tonne lots 3,80-3,95 (3,75-2,95). Cedmium: min. 99.95%, cents a pound, 50,00-60.00. Cobatts MB free market, min. 99.8%, 22.75-23.75 (23.40-24.26); min. 99.8%, 19.35-20,35 (20.00-20.75). Mercury: min. 99.99%, \$ per 76 b flask, 155-165. Molybdenum: drummed molybdic oxide, 4.50-4.65 (4.60-4.65). Selenium: min 99.5%, 1.00-2.40 (2.00-2.50). Tengatan are streeted min. 65%, 5 per tonne. sten ore: standard min. 65%, \$ per tonne unit (10kg) WO, cif. 45-55. Vänsidium: min. 98%, CIF. 3.75-3.80 (2.75-3.83), Ura-PANATE NUESCO UTRE: 10.40 (10.50).

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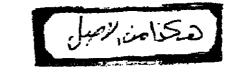
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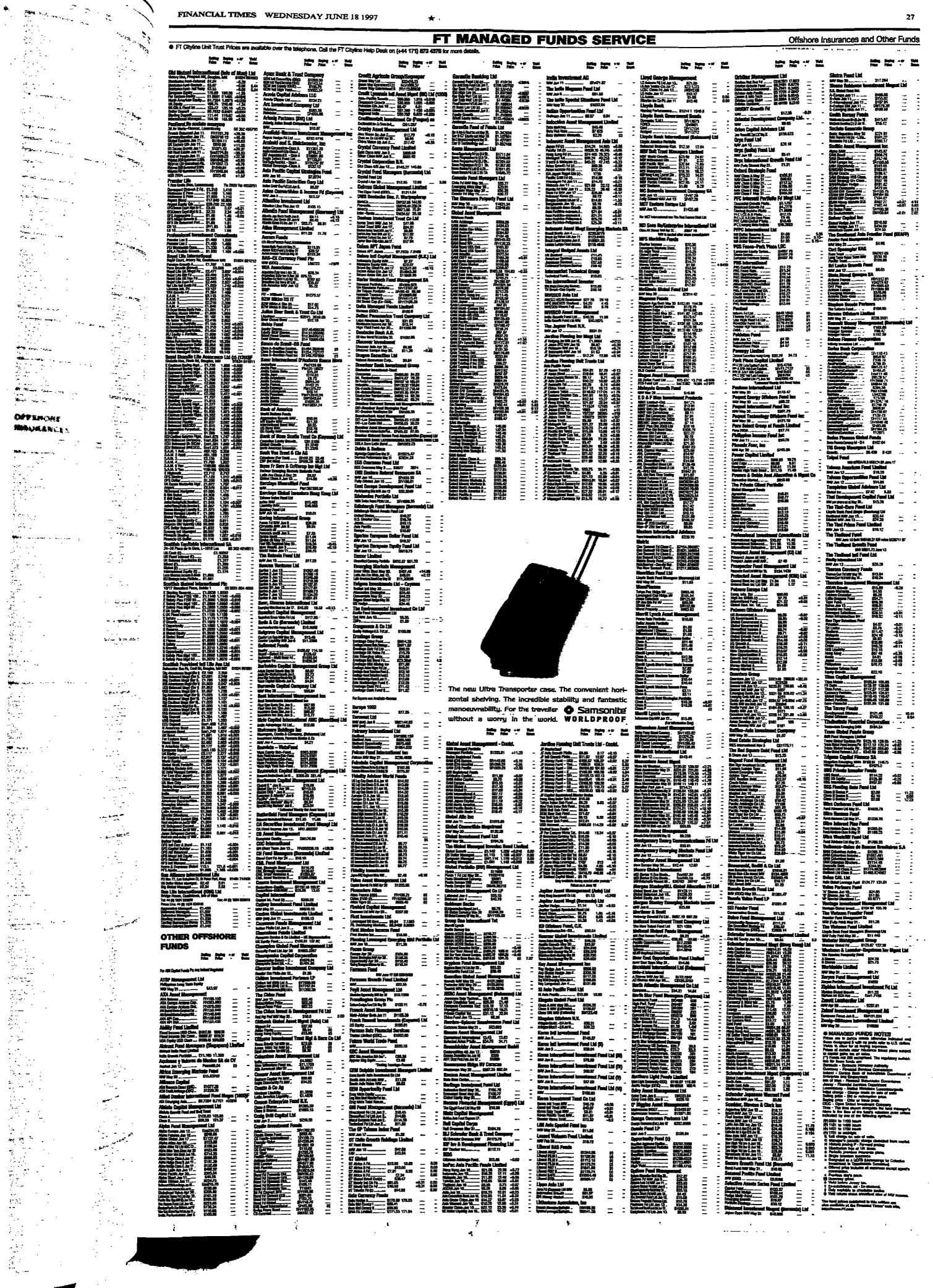
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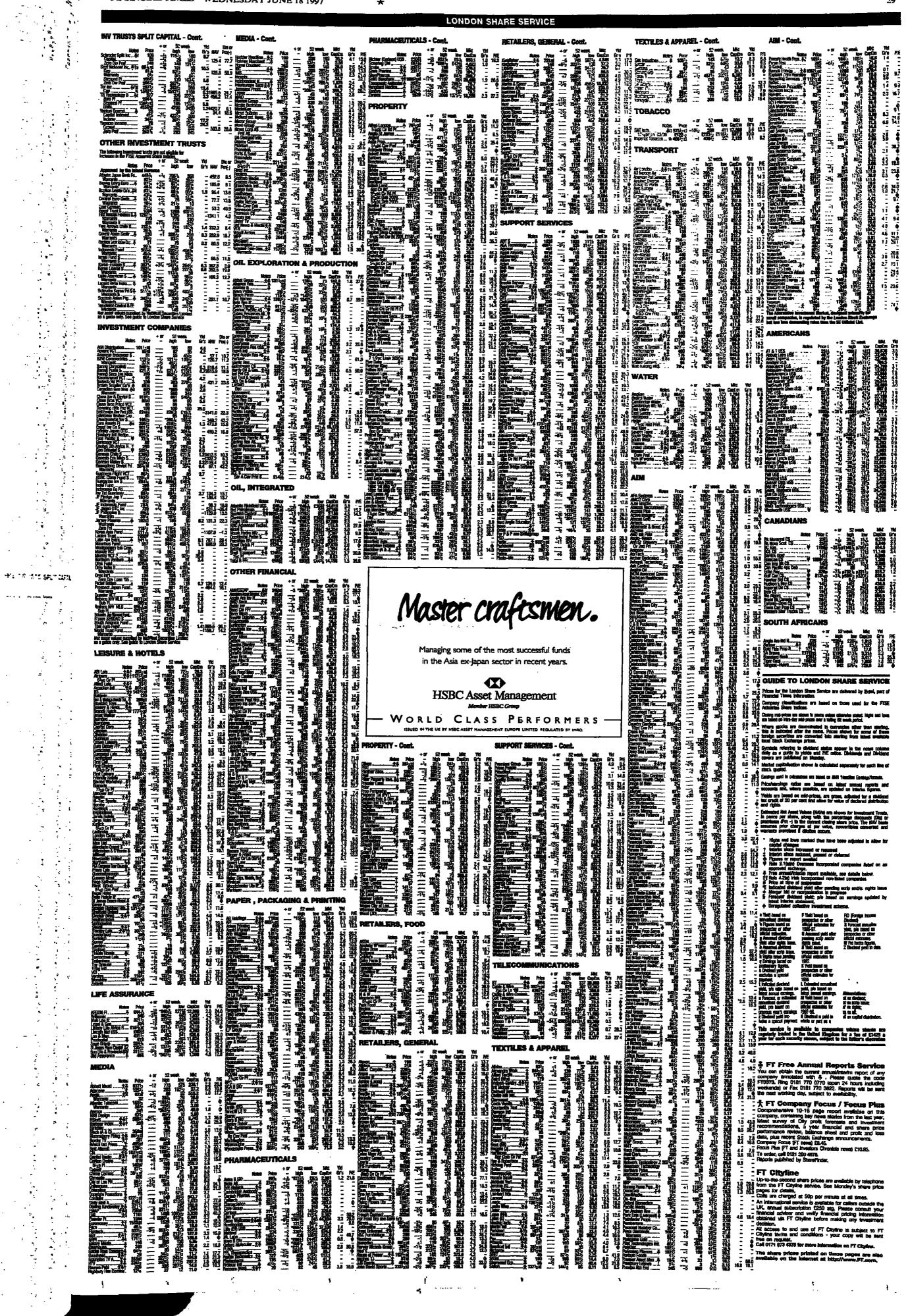
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LONDON STOCK EXCHANGE

Tax credit nervousness rattles UK equities

MARKET REPORT

By Peter John

There was an element of fiddling and anticipating economic data while Rome burned in the London market yesterday.

As the London season opened, many City desks were deserted for the greener and more speculative arena of Ascot.

At the same time, those who were left had time to consider the implications of a possible abolition of the 20 per cent tax credit on dividend payments.

prompted strategists to suggest that an 8 per cent correction

nario. The message took a while ahead of the mid-morning expiry profit-taking. However, the conto filter through - perhaps of Footsie options as well as the cern over advance corporation alone could lose £4bn per annum because the market was also concentrating on derivatives expiries

from the US. But when it did, it turned an early gain of 13.0 on the FTSE 100 index into a fall of 62.9 to 4,682.2 on turnover of 840m shares at

The FTSE 250 and SmallCap indices, which are less attractive ties currently benefiting from tax starts. credits, were less affected. They And some stark press comment fell 19.1 to 4,538.0 and 4.0 to was lower for a while and 2.279.8 respectively.

Early on, there was considerwould not be a melodramatic sce- able intra-market jockeying son for the sippage apart from stand to lose a considerable on the dips is expected to remain.

individual stock options

Basket trading and arbitraging ensured that Footsie was showing a comfortable gain. Then it began to lose ground with gathering force.

There was some caution about the latest consumer price index figure from the US. In fact the headline and core readings came in below the consensus forecasts to the pension funds and chari- as did the figure for May housing

> And while the US long bond restraining UK government bond prices there was no obvious rea-

tax credits gnawed at the market's confidence.

Marketmakers were actively targeting high-yielding stocks yesterday with particular emphasis on utilities, many of which are still are still under the shadow of regulatory pressure. Mr Adam Cole of HSBC James

Capel said: "The reaction on Monday was very, very modest. If intact until the Budget on July 2 we were really taking it [the ACT change] on board it would represent 300 or 400 Footsie points." And Mr Peter Warburton of

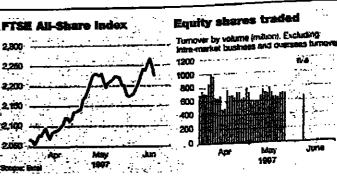
Robert Fleming Securities said: big funds still have huge cash "Tax exempt shareholders...

of cash flow. Theoretically, the FTSE All-Share index would drop by around 10-12 per cent. However, the actual effect on UK equities may not be so severe."

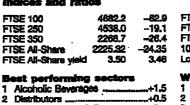
Footsie has already hit many strategists' end of year targets. Those targets factored in some tightening of tax credits but not the total abolition. While forecasts will be left

they could be scaled back after-On the other hand, many of the

positions and the pressure to buy







FUTURES AND OPTIONS

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10 yr Gilt yield Worst performing Banks: Retail

Low Est. vol

TRADING VOLUME

Broker boost at **GMet**

By Joel Kibazo, Peter John

Dealers and analysts were busy speculating about the next move in the current Guinness/Grand Metropolitan merger talks.

LVMH, the French luxury goods group, said after the market closed it bought 4.75m ordinary shares in GrandMet at between 568p

LVMH, which is opposed to the merger and last week submitted a request to the International Chamber of Commerce for arbitration, up 30 at 179p. has 0.23 per cent of Grand-Met. But it said it had "no intention" of making an offer for the UK drinks and food giant. LVMH already for the Mirror. The strategy owns around 14.2 per cent in is right. It needs another leg Guinness and has a material to its business and the Midtrading arrangement with it. land Independent fits well

News of the share purchase followed sharp gains in both UK companies. The gains were prompted by a strong recommendation from US investment bank Goldman Sachs. GrandMet rose 15% to 581p, making it the best performing stock in the FTSE 100. Guinness appreciated 81/4 to 5881/4p.

Both stocks have been added to the bank's recommended list having previously been rated "market

FINANCIAL TIMES

Goldman set a 662p near

term share price target for the two. Analysts at the bank said: "We believe the merger of GrandMet and Guinness to form GMG Brands, were it to go ahead, would result in a company whose earnings growth is forecast to accelerate to 13 per cent in 1999 and 2000."

Midland Independent Newspapers outperformed the market after it said it was in talks with Mirror Group that might lead to an offer being made for the company. Shares in the group have risen strongly in recent sessions as speculation about a predator did the rounds in the market. Confirmation of the talks sent the shares sharply ahead, past their previous peak of

Panmure Gordon is predicting a take-out price for Midland of 200p a share. He said: "This is very positive with it."

coming off the top to close

With the market appreciating the move by Mirror Open 9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low Group, the company's shares held up relatively well against the sharp market decline. They closed just 31/2 lighter at 205p.

ICI came in for a sharp reappraisal following a strong outperformance against the overall market since early May. Over the past six weeks

the stock had shot up from 699p to 880p with US investors, who hold about 10 per

cent of the stock, buying pated from an analysts' visit in the premier FTSE 100 list-

That New York appetite appeared to be fading slightly yesterday. Some investors were using the excuse of fertiliser price reductions, even though those cuts are expected to make no more than a £15m dent in full-year profits. 20 per cent yield premium to the market and the comparatively high yield may worry some funds. ICI is one of the key stocks held by big pension funds, which risk losing their 20 per cent tax credits. The shares fell 27 to 822p.

Siebe provided one of the very fews specks of blue on shares rose 181/2 to 9881/2p. 177%p. They touched a sesmaking it the second biggest since the company issued sion peak of 188%p before Footsie riser. The rise profit warning in October. stemmed from traders positioning themselves ahead of bullish comments antici-

FT 30 INDEX

FT 30 hourly changes

Total Rises Total Falls

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European

perspective.

by the house broker Dresdner Kleinwort Benson. Still in engineering, Leh-

man Brothers began coveroutperform" stock. The shares saw brisk trade of 3.5m but closed unchanged at 374½p. Mr Charles Armitage at the broker believes Also, the company was on a the stock, currently trading on a multiple of 8.4 times this year's earnings, should be on 10 times, suggesting a target price of 440p for 1997 and 500p for next year.

Elsewhere in the sector. Wellman saw busy trade of 7.4m shares. It rose 51/2 to 29p after a positive trading statement and the announcement of a new finance director. The shares have languished since the company issued a

Among retail stocks, Burton Group, which heard last week it would lose its place

Jun 17 Jun 16 Jun 13 Jun 12 Jun 11 Yr ago "High "Low

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Jun 17 Jun 16 Jun 13 Jun 12 Jun 11 Yrago

52 Week highs and lower LIFFE Equity opti-

102 89

82,314 51,900 48,674 50,300 30,612 NA 3044.1 3413.0 2683.8 1867.8 NA 46,132 44,441 47,255 35,507 NA 787.6 835.4 794.0 739.4

ings, remained friendless and gave up 6% to 125%p.

News of Mr Sam Chisholm's intention to step down age of IMI and deemed it an from the chief executive's role at BSkyB sent the shares down 211/2 to 5661/2p. One trader was reported as saying: "News like this is never welcome for a company unless he was doing a bad job and Chisholm wasn't doing a bad job."

Retail banking stocks, which have been the toast of the market recently, fell sharply, helping drag the market as a whole lower. Abbey National, which

confirmed on Monday it was in talks about acquiring Cater Allen, was the worst performer in the sector. The shares surrendered 37 to 831p. Lloyds TSB fell 20 to 606%p. HSBC 45 to £18.45% and the Halifax 121/2 to 783p in trade of 14m.

First Leisure was marked up 161/2 to 3501/2p in tiny volume as a story went the rounds that Rank was set to bid for it but few took the yarn seriously. Rank fell 7 to 379p in volume of 5.9m.

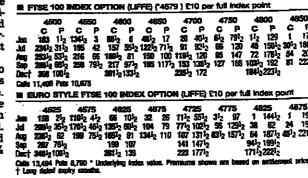
First Leisure's 8p rise on Monday was said to come late in the day after marketmakers at a UK bank took the story seriously. However, one analyst pointed out that Rank seeks a 15 per cent pre-tax return in the second year of an investment, and it was unlikely to get that from First Leisure.

One of the briskest trades in the Footsie was in BTR shares, with 20m dealt as the stock advanced 21/4 to 1940. bouncing off low levels not seen for several years. The rise powered the sector to become one of the few that advanced yesterday. The shares were at 180p earlier this month and traders said timent was helped by a buy

gest riser in the FTSE 250. It advanced 371/2 to 4781/2p on the back of comments on the company's profit margins by chairman and chief executive Lord Harris of Peckham. His positive statements on discounting and the increase in like-for-like sales growth prompted investors to take an interest in MFI Furniture, which saw 8.5m traded and rose 7 to 142p with fur-

ther support from a NatWest Securities recommendation. RMC was marked up 7 to £10.08% after marketmakers were caught in a squeeze. Traders also suggested the company might benefit from any weakening of the pound.

Hazlewood Foods managed to beat the gloom to rise 51/2 to 1161/p.



LONDON RECENT ISSUES: EQUITIES -2l₂ +8

F(3E A2-30279 5X ()	2224.21			2200.46	2252.48	-	3.54	1.95	18.12	11.05	1012.85
■ FTSE Actuaries Ind	ustry :	Secto Day's	13			Year	Div.	Net	DÆ '	Xd adi	l. Total
	Jun 17		Jun 16	Jun 13	Jun 12		vield%			~ueu, ∨td	Return
10 MINERAL EXTRACTIONIZO	4505.68		_		4487.50		•	201		 _	
12 Extractive industries(5)	4595.09				4534.94			2.38			2018.43 0 1404.57
15 Oil, integrated(3)	4647.80				4623.38			1.95			2141.05
16 Oil Exploration & Prod(12)	3694.60				3784.53			221			2263.33
20 GEN INDUSTRIAL SOUT	1960.98							1.86			
21 Building & Construction(35)	1402.90				1959.46 1408.29			1.88			1118.04
22 Building Matis & Merchs(30)	1907.98				1907.76			2.78			1007.79
23 Chemicele(26)	2455.34				2486.28			1.48			1223.99
24 Diversified Industriate(16)	1300.57				1297.58			200			770.61
25 Electronic & Elect Equip(38)	2068.02	-1.0			2115.83			1.53			1115.80
26 Engineering(98)	2611.00	_	2610,42	2633.20	2585.11	2469.23	3.26	2.25			.1637.25
27 Engineering, Vehicles(13)	2946,79				2884.30			#			1586.54
28 Paper, Poley & Printing(27)	2108.91				2109.86			1.84			920.30
29 Textiles & Apparei(14)	1063.33	-0.4	1057.41	1074.32	1055.28	1414.50	6.58	1.00	19,08	41.78	699.86
30 CONSUMER GOODS(84)	4584.71	-0.6	4591 D3	4617.43	4607.50	3576.31	3.33	1.81	20.68	88.81	1763.20
32 Alcoholic Beverages(7)	3262.99				3197.86			1.88			1240.68
33 Food Producers(25)	3001.35				2972.17			1.84			1421,99
34 Household Goods(17) 36 Health Care(15)	2975.49 2243.36				2931.30			2.32			1225.67
37 Pharmaceuticals(18)	7900.28				2253.73			1.67			1411.24
S8 Tobacco(2)	4752.85				7459,63 4907,64			1.71 1.87			2562,75
									_	_	1268.22
40 SERVICES(271) 41 Distributors(30)	2696.38 2758.09				2707.38			1,98			1450.05
42 Leisure & Hotels(31)	3388.88				2726.68 3472.38			1.94 1.83			1057.29
43 Media(44)	4301.35				347238 4379.05			1.83			1865.97
44 Retailers, Food(15)	2145.21				2150.82			226			1597.48
45 Retailers, General(53)	2120.28				2104.89			2.08			1431,84 1266,07
47 Breweries, Pubs & Rest (22)	3209.75				3190,32		3.48	2.19			1600.40
48 Support Services(54)	3044.92				S107.38			2.71			1880.75
49 Transport(22)	2879.01				2905.45			1,30			1255.52
60 UTILITIES(31)	2884.85				2925.71		_	1.50			
62 Electricity(9)	3107.28				3167.40			1.99			1333.82
64 Gas Distribution(2)	1889.16				1946.35			1.38			1762.21
66 Telecommunications(8)	2396.03				2418.38 :			1.69			1079.03
68 Water(12)	2518.20				2536.65			2.29			1490.72
69 NON-FINANCIAL SI6735	2259.21							_			
					2272.43			1.83	19.03	<u> 42.27</u>	1795.46
70 FINANCIALS(106)	4246.75				4405.24			2.39	15.45	90.65	1917.95
71 Benks, Retail(8)	8427.72				6704.85			2.65			2200,09
73 Insurance(18)	1734.90				1791.14			2.53			1386.89
74 Life Assurance(7)	4832.80				5016.76			1.96	17,50	121.00	2110,98
77 Other Financial(29)	3193.76				3216.12			1,93	19.58	58.81	1901,62
79 Property(44)	1976.34	-1.1	1997.82	2027.43	2031,40	1 <u>527.2</u> 3	3.27	1.35	28.28	33.25	1270,49
80 INVESTMENT TRUSTS(127)	3447.24	-0.6	3469.04	3487.87	3461.60	3178.14	2.18	1.13			1238.04
B9 FTSE All-Share(906)	2225.32						_				_
106 FTSE All-Share ex (T(779)	2224.21				2252.99			1.93			1989.53
	_		<u> 2248.88 :</u>				3.54	<u>1.95</u>	18.12	<u> 11.05</u>	1012.33
TSE Redging	1285.95	-0.2	1288,46	1290.22	1285,98	1276.27		0.80			1389.83
TSE Fledgling ex IT	1293.90	0.2	1298.16	1297.76	1294.37	1292,54	3.41	0.78			1399.88
TSE AIM	1067.7	-0.2	1070.0	1088.D	1068.7		1.03	1.05	Añ no+		

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FINANCIAL TIMES WEDNESDAY JUNE	18 1997 →			31
Highs & Lows shown on a 52 week basis		D STOCK MARKETS	<u> </u>	
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Greece Suitzerin Greece Apert SE(\$1/1280) 1577.95 (c) 1826.73 1772.70 235 954.84 27 SM index[1- Honey Kong	7780 5363 5820 58848 58848 0 136 30228 0 7/1	S & P Ind. Div. yield 1.52 1.69 1.67 S & P Ind. P/E ratio 24.13 23.32 23.66 E NEW YORK ACTIVE STOCKS E TRADUM ACTIVITY	2.19 Cover ago Paris 12.29 + 14 13.25 10.35 17.74 A SenChif 95.53 (1964 95.53) 15 + 175. 217.7 225 315 1694 95.53 (1964 1965 1965 1965 1965 1965 1965 1965 1965	SMINION 47 - 61.50 45 12 132 5 12 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
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Dow gains modestly at midsession

Wall Street clawed back early losses to end the morning comfortably higher fol-John Labate in New York.

The Dow Jones Industrial Average rose 17.64 at 7,789.73 by 1.15pm in relatively strong volume. This put the Dow ahead of its all-time closing high recorded last

Earlier the index had been off by as much as 57.46 points as traders responded to bond yields that had risen strongly due to economic data suggesting that growth was picking up.

The broader S&P 500 index also had a good morning, gaining 1.75 at 195.65. again recovering from a dip earlier in the day.

Among Dow Stocks, Hewlett-Packard rose \$1% to \$54% While IBM shares added \$1 at \$90%.

Strength in other technology issues led to a rise in the Nasdaq composite index. that sector. The index C\$2.15 to C\$21.20, was even increased 7.44 to 1.439.39. more striking. The Russell 2000 index, which measures small companies, remained nearly flat, losing just 0.05 to 392.15 by firmation of a big \$1.4bn jets

Compaq Computer, which announced the shipment of rumour and selling the fact," new products, surged \$4% or said one broker. Alcan Alu-3.9 per cent to \$109%. Bay Networks, the computer networking company, shot up \$1% or 5.7 per cent to \$25%. Dell Computer gained \$4% or 3.6 per cent to \$119%. "There's been renewed confi- C\$33.80.

tor," said Stephen Shobin, technical analyst at Lehman Brothers.

Pacific Stock lowing renewed buying of Exchange Technology Index plans to merge its consumer technology stocks, writes also had a strong morning, gaining 4.23 to 287.18

Acquisitions news sourced one of the biggest rises with Royal Caribbean, the cruise ship operator, gaining \$1% to announced its intention to of \$2.5bn. buy rival operator Celebrity Cruises in a deal priced at

Consumer products company Heinz rose \$1 to \$46% on the back of earning results that were better than

TORONTO moved sideways in spite of a strong bounce for leading conglomerate. Canadian Pacific. At noon, the TSE 300 composite was 0.63 ahead at

6.538.10. News that Canadian Pacific had sold its shareholding in Laidlaw for \$1bn sent the shares shooting ahead by C\$1.95 to C\$40. The which is heavily weighted in upturn at Laidlaw, a rise of

> The broad market, however, was mixed. Bombardier shed 15 cents to C\$30 on con-

"It's a case of buying the minium dipped 25 cents to C\$50.15.

Banks staved dull. Royal Bank of Canada lost 20 cents to C\$60.40. Among golds. Barrick came off 10 cents to

Sao Paulo pushes ahead

SAO PAULO pushed ahead pushing deeper into record solid looking trade figures the advance had started to and news of delay until next taper off. week in the congressional vote on the government's pension reform bill.

esna index had built signifi- centavos at 18.86 pesos. cantly on Monday's solid 1

MEXICO CITY began where it left off on Monday.

strongly following some territory but by late morning

At midsession, the IPC index was up just 5.26 at 4,265.1. Telmex traded qui-

group, slipped 0.6 per cent to 1,411 pesos. The IPSA index was off 1.22 at 133.17 at mid-

JSE indices (rebased

Golds, still unhappy about

the bullion price, ended off

Sterling Index

per cent at

South Africa falls under pressure from futures

fire from the futures pits, sliding precipitously ahead of Friday's expiry for the main equity contract.

Both industrials and golds

fell steeply to push the allshare index down by 79.4 to 7,192.1. "There's a lot of downside pressure from the future. Everybody's trying to square off ahead of the close out," said one broker. The main action of the session was in leading stocks. De Beers fell 25 cents

to R165.50, Anglo American shed R6.50 to R271.25 and Sasol lost 50 cents to R56.50. Combined turnover in the three heavyweights topped The industrial index 28.4 or 2.5

ended 49.7 lower at 8,432.7. I,100.5. FT/S&P ACTUARIES WORLD INDICES

national and Regional Markets

At midsession, the Bov- etly but managed to add 14 SANTIAGO continued to per cent advance. It stood at slip. Endesa fell almost 1 per 12,175, up 221 or 1.9 per cent. cent to 310 pesos and

TOKYO fell prey to profittaking after the substantial gains of recent sessions as basket-style selling by domestic institutions eclipsed continued buying by foreign investors, unites

87.41 to 20,593.66 after mov-

The Topix index of all first-section stocks fell 4.81 to 1,537.38 and the capitalweighted Nikkei 300 was off 1.37 at 297.13. Volume rose from 315m shares to an estimated 399m. Declines led

Gross Div. Yield

FTSE Actuaries Share Indices Sharp advances by market Ones 10.30 11.00 12.00 13.00 14.00 15.00 Closs heavyweights Philips and KPN, where hectic trading was firmly reflected in a combined volume of close to 10m shares, were insufficient 2441.70 2451.65 to prevent AMSTERDAM 2473.84 2445 DI . Both rather 1000 (2570/50); Highling: 100 - 26754, 200 - 277600 (markley: 100 - 546504 200 - 265100 † Parial. © FTSE international Lieuter 1657: All darks control. from falling back from its recent record highs.

"Wall Street was no help ing the announcement of and people are not too convinced about the outcome of the Amsterdam summit. Sentiment has taken on a ragged edge ahead of tomorrow's policy statement from the government," said one

There were no definite trends. Legrand was the day's heaviest casualty, slid-News that KNP's post and ing FFr39 or 3.6 per cent to FFr1.048, Carrefour, down of next year - earlier than FFr99 at FFr4.125, continued to reflect the lack of enthusilysts - left the shares Fl 2.60 asm for retailers. FRANKFURT was lower in

quiet late trade, depressed by lower bonds and the early losses on Wall Street. At the close, the Ibis-indicated Dax was 28.84 weaker at 3.721.18 in turnover of DM9.2bn. SGL Carbon, being investi-

gated by US and European Union officials on allegations of price fixing for graphite electrodes, remained at the centre of attention. The shares lost DM9.80 to DM230.20 as the company's US subsidiary faces a class

ZURICH took the opportunity for another session of consolidation and the SMI index edged back 16.1 to 5.345.9.

Novartis returned to centre stage adding SFr32 to SFr2,125 after an upbeat presentation to analysts, which reported out of Roche certificates, down SFr105 at SFr12.850. One analyst, however, noted that the certificates were now sharply below their SF113,495 peak seen in mid-May, which he said could prompt renewed

Surveillance, the goods inspection company.

concentrated on research and development at the company's pharma division. Renewed switching was

Leading bourses turn back from the peaks

demand for the stock. CS Group continued its SFr4.50 to SFr184.50.

dropped SFr105 to SFr2,995 as Pictet, the Geneva private bank, removed the company from its list of non-rated stocks and rated it a hold. ABB fell SFr52 to SFr2,105 and Sulzer was down SFr45

EUROPEAN EQUITIES TURNOVER Monthly total in local currencies (bn) 1997 1997 1997 145390 34,85 47.33 52.80 24.51 370.09 \$1.11 24,80 331.76 245.66 377.84 339,99 242,45 70,180 77.10 72.70 53.20 88,10 43.06 50.91 56.80 208.54 179.82 193.76 205.B0 114,95

Down steeply in April, turnover in continental European shares rallied gently in May in D-Mark terms, improving 2.9 per cent on the month. Germany continued to backpedal, but most markets made gains, notably Denmark. which achieved a volume rise of 17.7 per cent. Italy turned a 17 per cent decline in April into a gain of 13.6 per cent in May. France, hit by election uncertainty and a steep slide for equities, saw volume rise 11.6 per cent: Germany, down per cent, suffered the heaviest decline in turnover. According to Mr James Cornish of NatWest Securities, this extends the three month average decline in Germany to

• The Swiss figures have been revised following the merger of the Zurich, Geneva and Basle bourses.

at SFr1,295 on profit-taking SKr25 to SKr557 and Hennes, after its announcement that up 6 per cent on Monday: fell its Sulzer Medica spin-off back SKr3.50 to SKr282. would begin trading in the Against the broad trend week of July 14.

taking in Electrolux and Astra rose SKr1 at SKr131 Hennes & Mauritz but the and Pharmacia & Upjohn drugs leaders made solid SKr4 to SKr265.

banks were being dumped by

foreign investors. Bangkok

Bank fell Bt10 to Bt122 on

the day's most active trade

(Bt459m) and Thai Farmers

Bank came off Bt6 to Bt83.50.

Thai Bank lost Btl 50 to

after Monday's 2 per cent

rise as worries about the

outlook for the property

market once again became

up 87.45 to 14,307.15 in turn-

Defensive stocks such

The Hang Seng index gave

the predominant theme...

over of HK\$14.1bn.

- the general index ended STOCKHOLM saw profit- 17.82 lower at 2,901.76 -

Hongkong Electric rose

SEOUL enjoyed active

demand from domestic and

foreign funds for core blue

chips, which pushed the

commercial vehicle affiliate

caused concerns that the

nation's eighth largest group

faced financial problems

although a group official

strongly denied rumours of

ALFUNIUGAL

HK\$1.80 to HK\$32.70.

thinner than usual volume. The general index lost 6.54 to 571.84. The largest stocks. particularly banks that had seen hefty gains earlier in the year, were among the day's biggest losers.

BBV slipped 3.2 per cent to Pta11,090 and Santander was 2.1 per cent lower at

Pts4.345. Telefonica lost Pta75 to Pta4,255 in spite of an upgraded recommendation from Lehman Brothers. ATHENS tumbled 2.9 per

cent led down by a disappointing performance from OTE, the telecoms giant, which completed a secondpart flotation last Friday. The general index lost 47.78 to 1.577.95 as OTE shares gave up Dr275 to

LISBON was weak as disappointing inflation data for May ruled out an imminent cut in interest rates.

The PS120 index fell 41.14 to 7.334.09 Against the trend, shares in EDP, the state electricity

utility, soared on their first day of trade after their partial privatisation

EDP peaked at Es4,050 before settling back to Es3.060, still at a sharp premium to the Es2,250 privatisation price.

the stock to close Won600

affiliates went limit down.

The other five listed Kia

SINGAPORE clawed back

earlier losses in the last half

hour of trade, helped by a

resurgence of fund orders.

The Straits Times Industri-

BOMBAY jumped 1.6 per

cent on foreign fund buying

of blue chips as the market

was encouraged by news

that the United Front coali-

tion had deferred a rise in

Written and edited by Michael Morgan and

lower at Won15,300.

However, Kia Group als index ended 13.18 higher

shares plummeted as a at 2,004.26. Losers outpaced

delayed debt payment by a gainers 180 to 156.

Bid rumours help Sydney to fourth straight high

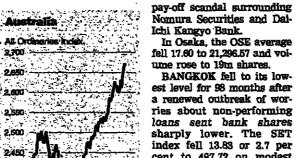
softening Australian dollar, talk of a resources takeover bid and another strong day for banks pushed SYDNEY to its fourth record close in succession. The All Ordinaries index gained 12.4

The weaker Australian dollar and an upbeat quarterly commodity report underpinned resource stocks. Widespread talk of a takeover bid for QNI, the nickel and cobalt producer, also buoyed sentiment.

Trading volume was Andina, the big bottling rumour was that Gencor of

The Nikkei 225 average fell

ing between 20,558.76 and 20,720.67. Trading was dominated by index-linked transactions, which failed to give a significant boost to any particular sector.



advances 630 to 427. In London, the ISE/Nikkei-50 index rose 1.15 to 1.610.07.

days, shedding Y9 to Y761.

kaido Takushoku Bank rose Y23 to Y170 on the previous day's news of a possible co-operation agreement with Barclays Bank. Hokkaido Bank, planning to merge with Hokkaido Takushoku. advanced Y23 to Y164. Tokyo-Mitsubishi Bank feli

Y20 to Y1,680 while Sakura

sectors unaffected stocks advanced. Taisei was up Y17 at Y514. Obayashi Y18 at Y734, and Shimizu Y26 at Y723,

Jusco, the supermarket operator, rose Y110 to Y3.870. reversing its sharp decline of the preceding four sessions following the arrest last week of its president in connection with the racketeer

pay-off scandal surrounding before a rebound, which left There was some talk that ming a basket warrant on the

HONG KONG turned back year's high of 792-29.

ASIA PACIFIC

Philips jumped Fl 7.90 or

6.5 per cent to Fl 128.9 follow-

communications operations

with those of Lucent Tech-

nologies of the US. The deal.

instantly seen as another

example of Philips' determi-

nation to reorganise, creates

a company with annual sales

telecoms operations were to

expected by most Dutch ana-

higher at Fl 78.3, in volume

of 5.4m, after a peak of F183.

The shares have risen 13 per

At the close, the AEX

index was off 2.84 at 847.15.

Financials led the way down

with Aegon off F14.40 at

FI 137 and ABN-Amro down

PARIS gave up early gains

but ended well above its low

for the session. Volume was

again dull at 11.3m shares

and at the close the CAC 40

index was off 33.27 at

cent since May 30.

80 cents at F136.8.

to 2,681.7.

BHP advanced 40 cents to A\$19.30 and Rio Tinto 59 cents to A\$23.20. WMC gained 28 cents or 3.4 per cent to A\$8.55. QNI asked for a trading suspension at the outset, pending a board statement today. The hot South Africa was set to launch a A\$1.4bn takeover

Takeover speculation continued to drive banks. Commonwealth closed up 19 cents at A\$15.19 and NAB 7 cents at A\$18.85. Westpac added 9 cents at A\$7.79 but ANZ ran into profit-taking, slipping back 15 cents to

cent to 497.72 on modest trade of Bt3.9hn -2400 -Under new regulations banks and finance companies have to provide details of their non-performing loans at the end of the June

Blue-chip exporters suffered moderate selling pressure on the dollar's slight weakening to Y113. Sony slid Y110 to Y9,800, Honda Y40 to Y3,400 and Bridgestone Y40 to Y2.640. Toshiba fell for the first time in four trading Banks were mixed. Hok-

Y30 to Y2,140 and Fuji Bank

Bank added Y14 to Y849 and Daiwa Bank Y10 to Y533. Many investors sought laggard issues, particularly in exchange-rate volatility. Among them, construction

utilities attracted bargain government-set oil prices. The BSE-30 index rose 62.23 quarter. The banks sector hunters amid talk that one Kia Motors hit its daily tumbled 5.3 per cent. merchant bank was plan- lower limit of Won14,700 to 4,087.64.



Closed-end Fund

Notice

The Board of Directors of TottaFundos, S.A., with head office at Rua Basilio Teles number 35, 7th and 8th floors, in Lisbon, with share capital of Escudos 101,000,000. registered at the Lisbon Commercial Registration Office under the number 65741, fiscal number 501828249, has resolved to call the General Meeting of Unit Holders of the Closed-end Fund CAPITAL PORTUGAL, to be held on the 18th July 1997 at 11.00 a.m., in Lisbon, at Hotel Alfa Lisboa, located at Av. Columbano Bordalo Pinheiro, with the following Agenda:

- 1. Considering and voting of the proposal of the management company to transform the closed-end fund Capital Portugal into an open-end fund, effective on the 1st October 1997, with the resulting amendment of the Management Regulations.
- 2. Voting of the conversion from certificates into book entry form of the units of participation of Capital Portugal fund.
- 3. Delegation of powers to the Board of Directors of the management company to perform all acts necessary for the implementation of the approved resolutions in respect of items one and and two of the Agenda pursuant to paragraph 13 of article 3 of the current Management Regulations of the Fund.

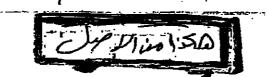
The General Meeting may validly meet and pass resolutions on the proposal provided the requirements and conditions of article 3, paragraphs 7 to 9 of the current Management Regulations of the Fund are met:

- The General Meeting of the Unit Holders may only validly pass resolutions upon the attendance or due representation of the Holders of the majority of the investment units that compose the fund's capital.
- 8. For the purpose of passing resolutions in the General Meeting of Unit Holders. each investment unit shall correspond to one vote, and resolutions shall pass by majority of the votes corresponding to the totality of the investment units that comprise the Fund's capital. Evidence of the holding of the investment units until five business days before the date scheduled for a General Meeting shall be required for attendance to such Meeting. Unit Holders may be represented by other Unit Holders or by the management company.
- 9. The recommendation submitted by the management company to the General Meeting of Unit Holders shall always be implemented by the management company, either if it is approved by the Unit Holders or if the Meeting fails to validly meet due to an absence of quorum."

The proposals and the draft of the new Regulations for the fund are available for inspection by the Unit Holders at Rua Basilio Teles number 35, 8th floor, in Lisbon, or may be requested by telephone (1-7271173) or by facsimile (1-7271383)

> The Board of Directors of ... TottaFundos, S.A.

Q. (1440)															
Australia (76)235.13	. 0.2	212.79	168.64		208.89	0.6	3.68	234.57		170.07		207.64	235.13	188,44	
Austria (24) 185.35	0.7	176.79	140.10	175.65 226.85	175.56 223.95	0.2 -0.6	1,90	194.05	175.93 230.79		175.32 230.00			174.70	192.84
Selgium (26)254,52	0.0	230.33	182.54				3.19 1.26	254.57 286.06	259.34		258.45	565.62	255.67	206.70 167.19	212.94
3razii (30)288.98	1,0	261.52	207.26	259.84	571.03	1.0									167.19
Canada (112)212.19	-0.4	192.02	152.18	190.79	212.25	-0.2	1.84	212.99	193.10		192.43 349.87	212.67	212.99	154.12	156.52
Central's (32)388.97	0.4	352.01	278.97	349.74 248.55	348.32 300.59	-0.1 -0.3	1.45 1.52	387.26 275.67	351.09 249.92	280.78	249.06	348.53 301 49	391.53 279.84	297.75	297.75 193.42
Finland (28)	0.3	250.17	198.26											186.67	
France (91)227.82	0.2	206.17	163.39	204.84	208.43	-0.4 • 0.5	2.72	227.44	206.19	164.90		309.22	232.34	186.94	195.92
Germany (59)217.51	1.0	196.84	158.00	195.57	195.57 500.95	2.2	1.45 3.01	215.37 492.89	195.25 446.85	357.36	194.57	194.57 459.92	217,51 529,88	168,70 407,55	170.09
long Kong (68)503.96	2.2	456.07	361.44	453.13				242.57		175.87	219.16	361.39		401.33	424,53
ndonesia (27)245.54	12	222.21	176.10	220.78	365.81	1.2	1.61		219.92				050 54	~~~	000 71
reland (17)	0.3	320.84	254.35	318.66	329.21	0.2	2.88	353.50	320.49	258.30		328.70	354,64	270.08	288.71
bely (59)92.30	0.5	83.53	68.20	82.99 125.39	117.03 100.02	0.0 0.9	2.15 0.79	91.81 136.76	83.24 123.99	65.57	82.95 123.56	117.03	96.32 158.25	73.26	80.81
Japan (485)139.46	2.0	126.21	100.02											107.57	157,02
Malaysia (107)	-0.4	469.73	372.26	456.70	502.98	-0.3	1.36	521.32		377.97					
Mexico (27)1522.21	0.3	1377.55				0.3	1.40					13196.90			
Netherland (19)	1.4	356 76	282.73	354 <i>.</i> 46	350.01	0.9	2.22	388.73		281.84		348.79			295.71
New Zeeland (14)91.23	0.5	82.56	65.43	82.03	70.15	0.4	4,10	90.75	82.28	65.80	81.99	69.87	95.60	78.21	78,21
Norway (41)	-1.0	277.69	220.07	275,90	303.80	-0.7	2.02	310.08	281.12	224.82		305.98	321.23	248.04	255,62
thilippines (22)166.68	-0.7	150.84	119.54	149.67	219.10	-0.7	0.85	167.82	152.14		151.62	220.63	.	-	-
Singapore (42)383.92	-0.4	347,44	275.35	345.20	252.29	-0.5	1.20	385,58		279.56			448.01	360.08	416,50
County Aprica (44)	0.1	327.02	259.17	324.91	355.26	0.0	2.44	361.00		261.74		355.26	370.12	301.49	359.48
Spein (35)	-Q.5	231.83	183.72	230.33	283.51	-0.8	2.31	257.49		186.69			262,42	171.91	181,78
Superior (49)	0.3	423.72	335.61	421.00	536.38	0.3	1.82	458.72		338.38		536.96	468.22	834.35	354.79
Switzerland (35)300.55	0.1	271.99	215.55	270.24	268.26	-0.4	1.25	300.35	272.30		271.36	269.39	301.09	231.69	235.85
Theliand (45)54,40	-2.2	49.23	39.02	48.92	54.56	-2.1	5.72	55.64	50.44	40.34	50.27	55.74	172.92	54.40	168.87
Initied Kingdom (212) 306.36	-Q.6	277 .2 5	219.72	275,48	277.25	-0,8	3.64	308.21	279.42	223.46		279.42	308.21	229.63	233.82
USA (649)	0.0	327.24	259.34	325.14	361.51	0.0	1.70	361,54	327.77	262.13	326.64	361.54	361.61	254.79	271.48
Americas (818)330.79	0.0	299.36	237.24	297.43	278.59	0.0	1.69	330.74	299.85	239,78	296.81	278.52	330.79	233,09	247.72
Europe (727)	0.1	242.54	192.22	240.98	249.07	-0.3	2.57	267.79	242.7B	194,16	241,94	249,73	268.01	204,71	210.03
Nordic (150)	0.2	362.26	287.10	359.93	396.49	0.0	1.80	399.54	362.22	269.68	360.97	398.37	401.56	291,45	303.75
Pacific Basin (882)	1.7	141.68	112,28	140.77	113.69	0.9	1.25	153.92	139.54	111.60	139.06	112.68	170.85	127.18	169,34
203.07 Pacific (1609)	0.8	183.77	145 64	182.59	164.75	0.3	1.97	201.48	182.61	145.04	181.98	164.33	203.07	173.55	186.19
North America (781)	0.0	318.91	252.74	316.66	351.68	0.0	1.70	352,40	319,48	255.50	318.38	351.65	352,40	248.65	284,49
NORTH APPENDIX (701)	0.5	218.35	173.04	215.94	227.95	0.0	1.97	240.15	217.72	174.12	216.97	227.89	241.28	185.65	181.89
Europe Ex. UK (515)241.28	0.9	277.43	219.86	275.64	269.48	1.0	2.77	303.91	275.52	220.34		266.86	320.65	268.97	285.03
Pacific Ex. Japon (397)306.56	0.8	187 07	148.25	185.86	171.45	0.2	1.96	205.17	188.01	148.78			206.71	176.94	187.25
Norld Ex. US (1822)206.71	0.5	227.31	180.14	225.84	220.79	0.2	1.64	249.89	228.55	1B1.18		220.27	251.18	199.58	211.17
World Ex. UK (2259)		285.81	228.59	284.07	305.79	0.0	2.05	315.65	286.18	228.85			315.83	233.10	
World Ex. Japan (1986) 315.93	0.1	600.81													
The World Index (2471)255.94	0.4	231,62	183.56	230.13	226.06	0.1	1.84	254.91	231.10	184,82	230.30	225.75	255.84	202,32	213.22



Lisbon, 12th June 1997